

CENTRAL ASIA AND THE CAUCASUS

Journal of Social and Political Studies

5 (29)
2004

CENTRAL ASIA AND THE CAUCASUS
CENTER FOR SOCIAL AND POLITICAL STUDIES
SWEDEN

FOUNDED AND PUBLISHED BY

CENTRAL ASIA AND THE CAUCASUS CENTER FOR SOCIAL AND POLITICAL STUDIES

Center registration number: 620720 - 0459
Journal registration number: 23 614
State Administration for Patents and Registration of Sweden

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<http://www.ca-c.org>

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No. 5(29), 2004

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Central Asia and the Caucasus

- Political Development Trends in the Context of International Antiterrorist Campaign
- Geopolitical Landmarks
- Party Development

CIVIL SOCIETY

**EVOLUTION
IN THE PARTY STRUCTURE
IN KYRGYZSTAN**

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The first constitution of the independent Kyrgyz Republic adopted in 1993 made political parties an important political institution. However, they have not yet developed into an efficient political instrument, into a “first fiddle” of sorts of the social and political processes, and have not yet claimed their potentially important role in the structures of power. So far, they remain outside the system and have not yet learned to properly perform their functions. While frequently leaving the constitutional and legal frameworks of their activity, they concede to traditional institutions (clans, tribalism, etc.), which unexpectedly revived as soon as the Communist Party’s monopoly in all political spheres was abolished and the republic became independent.

In the late 1980s and early 1990s the political situation was shaped by the fact that the Communist Party had fallen apart and left the way open for the opposition. The elections to the U.S.S.R. Supreme Soviet and to the Supreme Soviet of the Kirghiz Republic brought to the fore a group of democratically minded deputies. This ushered in an age of political democracy very much reminiscent of the situation in the Russian Empire after the 1905 revolution.

As before, the democratic forces proved weak, not only because former party and Soviet functionaries had captured the majority of the seats: the post-communist society had not yet been stratified into large social groups with shared social interests. The deputies expressed the more or less random instructions of their supporters living in certain territories. In other words, the new parties had practically no ties with the people; they were, rather, groups of like-minded people ranging from tens to hundreds of members. Finally, instead of cementing society and reaching a consensus about the reforms and the nature of the future social system, perestroika intensified the disagreements. Under these conditions political democracy is a purely formal procedure unable to rule. This has been amply demonstrated in all post-Soviet countries.

During the 70 years of Soviet power the few democratic traditions of pre-revolutionary Russia were destroyed; during perestroika populist meetings the democratic leaders used to reach power were the only form of people's political involvement. After the first election campaigns, in which the majority of Soviet citizens, including people in Kirghizia, demonstrated a lot of enthusiasm, society cooled down: none of the new leaders had any clear or well-substantiated programs. The democratic leaders, in turn, failed, or did not want, to establish feedback with their supporters. No wonder the democratic institutions developed into rivaling teams with ambitious leaders that soon fell into the old track of patronage, rivalry, diktat, and subservience.

Democracy was not an instrument, it was a ram used to destroy or disorganize the old power structures—no constructive steps followed. And what else was there to expect: the new people had neither administrative or management skills, nor responsibility. Their decisions were contradictory and incompetent and could not be carried out, while destructive trends gained momentum in the ideological vacuum and collapse of the old values.

It was in this context that new political parties and movements appeared in Kyrgyzstan.

Today, the republic is living through the first stage of party development—it is switching from the one-party to the multiparty system. Even though Kyrgyzstan has outstripped other post-Soviet countries with respect to the rate and scope of democratic reforms, it is trailing behind many of the CIS countries (with the exception of Uzbekistan and Turkmenistan, where there are practically no contemporary parties) in terms of party development.

Multiparty development in Kyrgyzstan is based on an alternative (informal) movement, which dates back to the late 1980s. It was at that time that several structures appeared, the most popular among them being the Demos political club at the *Komsomolets Kirghizii* newspaper, the Kirghiz branch of the Memorial Society (Memorial-Akykat), and the City Voters' Club, which soon became the center of attraction for democratically minded artistic intelligentsia. They were mainly discussion clubs that helped shape democratic mentality and formulate a system of democratic ideas and values. The first informal organizations never wanted to change the socialist social system; they formulated no political demands outside the C.P.S.U.'s political limits. Ashar, an informal society set up by young people who had come from the countryside to settle in the republic's capital (called Frunze at that time) and had no housing of their own, was another democratic structure that played an important role in political life. They organized the first ever civil disobedience campaign and forced the republican authorities to give them land for housing development.

In May 1990, amid the deepening economic and political crisis, the informal societies united into the Democratic Movement of Kyrgyzstan (DMK), very much similar to the "popular fronts" mushrooming in other Soviet republics. The Democratic Movement was the first political organization to openly contest the ruling Communist Party. As the economic crisis in the republic deepened, the movement became even more radical than before, yet it never formulated an idea of the republic's independence. It was under its pressure that the dogmatic communist leadership headed by First Secretary of the C.C. Communist Party of Kirghizia A. Masaliev resigned to allow the democratic political forces under the republic's president Askar Akaev to come to power. In December 1990, however, the DMK started losing some of its members; one of them announced that it had been transformed into the Democratic Party Erkin Kyrgyzstan-Erk (Free Kyrgyzstan); and in October 1991, the Party of National Resurrection Asaba appeared (both structures were set up even before the C.P.S.U. was disbanded). Their slogans were basically anti-communist, very much in line with the prevalent national-patriotic sentiments.

Inevitably, the process was accompanied by internal struggle for leadership in the new parties. Late in 1992, for example, the Erk party split; its left wing later developed into the Ata-Meken Socialist Party. After the shock caused by the Soviet Union's disintegration, the old communist party reorganized itself into the Party of the Communists of Kyrgyzstan. In 1993, the Democratic Movement of Kyrgyzstan Party (DMKP), a party of the center, announced that it was the legal heir to the DMK. It was at approximately the same time that the Social-Democratic Party of Kyrgyzstan was created. By 1995 the country had 12 registered political parties: the Republican People's Party set up in 1992, the Agrarian Party

(1993); the Party of Kyrgyzstan Unity—PKU (1994); the Democratic Party of Women (1994); the Agrarian-Labor Party (1994); and the Democratic Party of Unity of Kyrgyzstan, later transformed into the Political Party of the Afghan War Veterans and Participants in Other Local Conflicts. Before the first constitution, parties were set up according to the Soviet Law on Public Organizations adopted in the last years of perestroika.

In the fall of 1994, as the parliamentary elections scheduled for 1995 were drawing nearer, several political parties formed two election blocs: the Congress of Democratic Forces (Erk, the communists and six public associations) and For the Unity of Kyrgyzstan (PKU, the republicans and 12 public associations). This was the first attempt in the country's history at consolidating various political forces, yet the blocs failed to play a more or less important part in the 1995 elections. Political technologists in Kyrgyzstan and abroad agree that it was the majority election system that was responsible for this. At the same time, the parties and the processes of party development were too weak to be successful. For this reason, neither the parties, nor their representatives in the parliament could form party factions in the Zhogorku Kenesh (the parliament). It was too early to expect faction forming in the parliament.

At the second stage (1995-2000), there were 27 registered parties in the country; besides those enumerated above, there were the Party of People (Destitute), formed in 1995; the Manas El Party of Spiritual Resurrection (1995); the Party of Defenders of Interests of Industrial and Agrarian Workers and Poor Families (1996); the Party of the Working People (1997); the Party of Economic Resurrection of Kyrgyzstan (1998); the City Dwellers Party (1998); the My Country Party of Action (1998); the Party of Cooperators of the Kyrgyz Republic (1999); the Party of Popular Unity and Agreement (1999); the Communist Party of Kyrgyzstan (1999); the Adilet Republican Party (1999); the Ar-Namys Party of Dignity and Justice (1999); the Republican Party of Kyrgyzstan (1999); the Public Peasant (Farmer) Party (1999); the Kayran-El Party (1999). The year 1999 proved a year of party development, because the constitutional referendum of 1998 virtually introduced a majority-proportional system for forming the parliament. In May-June 1999, the republic acquired a new Election Code and the Law on Political Parties, which envisaged party life in greater detail. By the late 1990s, the country had all the laws on political parties it needed for further promoting the process of party development.

Today, there are 43 political parties in the republic; the number might have been even larger had not some of them merged, while others disbanded themselves. The number of parties, however, is no evidence of their quality. Many of the parties are still organizing themselves, while others are actually non-existent. Only three or four parties are functioning with any effect. At first glance, the range of parties covers the entire political spectrum: from rightist to leftist radicals. Regrettably, this did not make the party system clearer for many reasons. First, too many parties can be described in the language of political technologists as "marginal" or "relict" (such are the parties of the Afghan war veterans, women, old-age pensioners, the youth, etc.). Second, some of the parties have not yet drawn up relevant documents; they have no political programs, which makes it impossible to classify them according to their ideological or political preferences. Third, there are several anti-systemic parties, by which I mean parties that have nothing to do with the generally accepted political standards. For example, there are parties that, while calling themselves "rightist" or "liberal," use "leftist" or "radical" means and methods. Fourth, there is not much sense in identifying the local parties according to Western patterns: no matter what parties appeared in the republic they resembled the C.P.S.U. in their methods and means.

Still, ideologically the parties can be conventionally classified in the following way.

The left flank: the Communist Party with Prof. K. Ajibekova, former C.P.S.U. functionary, at the head; the Party of the Communists under A. Masaliev, in Soviet times leader of the Communist Party of Kirghizia, now deputy of the parliament; the Agrarian Party led by former C.P.S.U. functionary U. Sadykov; the Ata Meken Socialist Party headed by member of the parliament O. Tekebaev; and the Social-Democratic Party led by businessman A. Atambaev.

The center: the Alga, Kyrgyzstan Party (Forward, Kyrgyzstan) founded by B. Akaeva, daughter of President Akaev; the Democratic Movement of Kyrgyzstan headed by businessman V. Chernomorets,

deputy of the Bishkek City Council; the Economic Development Party under businessman V. Khon; the Adilet Republican Party headed by T. Kasymov, head of the presidential administration; and there are also marginal parties which describe themselves as centrist. There are a total of 30 parties in the center.

The right flank: the My Country Party of Action headed by Vice Premier D. Otorbaev; the Ar-Namys Party (Dignity) headed by F. Kulov, who used to be a vice president and who is now in prison; the Republican Party headed by journalist G. Tokombaev; the Party of Progress and Development led by former foreign minister M. Imanaliev, and the Voice of the People Party headed by banker B. Maripov.

The National-Patriotic Asaba Party headed by member of parliament A. Beknazarov does not belong to any of the above categories: it is working toward national resurrection of the Kyrgyz people.

The country has acquired a multiparty system which is politically too loose to successfully perform its functions. During the independence period, the country has already lived through several nationwide election campaigns: it elected a president in 1991, 1995, and 2000; a parliament in 1995 and 2000; local councils in 1995 and 2000; heads of local administrations (village heads and city mayors) in 2003; and held four national referendums (in 1995, 1996, 1998, and 2002). They demonstrated that the parties paid no attention to the local elections—no more than 2 or 3 parties bother at all to compete for local posts. The latest elections of the heads of local administrations in 2003 attracted only one party—the My Country Party of Action—which won 49 seats out of 460. The largest and the most influential among the parties, the Party of the Communists of Kyrgyzstan (an heir to the C.P.S.U.), has never bothered to compete for seats in the local structures. Obviously none of the political parties in the country, even the largest and most influential, have close contacts with the local self-administration system.

In 2000, only nine parties and two election blocs (out of a total of 25 registered parties) were allowed to compete for seats in the parliament with their party lists; others were kept out because of the disparity between their constituent documents and the election requirements and other violations of the legally established rules, or their organizational and financial inability to take part in the elections. Under the Election Code, the parties had 15 out of 60 (25 percent) seats in the Legislative Assembly of the Zhogorku Kenesh; this limited the number of parties able to squeeze into the parliament to five parties and one election bloc. The Party of the Communists of Kyrgyzstan won five seats; the pro-governmental bloc the Union of Democratic Forces (UDF), four seats; the Democratic Party of Women, two seats; the Party of the Participants in the Military Events in Afghanistan, two; the Ata-Meken Socialist Party, one, and the My Country Party of Action, one seat.

Unfortunately, only two of the parties (the Party of the Communists of Kyrgyzstan and the Ata-Meken Socialist Party) managed to form parliamentary factions. On the whole, there were seven deputy groups in the Legislative Assembly, in which non-party deputies were also involved.

The leftist forces in the parliament are represented by the factions of the Communists of Kyrgyzstan (faction leader A. Masaliev) with six members; the Ata-Meken Socialist Party (faction leader O. Tekebaev) with two members; and the Kyrgyzstan Group headed by I. Isakov, who is the leader of the Novy Kyrgyzstan (New Kyrgyzstan) Party, with six members. The total number of deputies working in factions and groups is 14.

The rightist forces are represented in the parliament by the Right Coalition—On Ordo faction (faction leader Z. Kurmanov elected as member of the My Country Party of Action) with five deputies.

The center is represented by the following deputy groups: the Regions of Kyrgyzstan (leader Social-Democrat A. Zhaparov) with six members; For the People (leader M. Sultanov, a non-party deputy) with eight members, and Unity (headed by M. Kuchukov, a non-party deputy), 11 members. This makes 25 deputies in all.

Sixteen deputies preferred to remain so-called independent deputies.

It should be said that these groups are rather amorphous and fairly unstable; they are very much affected by the regional and clan factors. It is very important, however, that for the first time since the 1920s state power acquired politically recognizable outlines in the form of parliamentary factions and groups.

Many parties, while declaring their democratic principles, are merely hierarchical organizations in which decision-making belongs to the leader and where the leader is much more important than the political principles. This explains why such parties are inconsistent and inclined to random decisions and contradictory actions.

There is another fault: many of the parties are too small to create grass-root structures, to maintain contacts with the people, and to perform certain public functions. Such parties have no stable electorate or clear support; they try to attract people by criticizing power, which gives enough reason for criticism anyway.

As I have already pointed out, the majority of the parties are mono-national and are obviously of a limited, regional, nature. For this reason, people from the south join the parties headed by southern politicians; the same applies to the "northern" parties. The majority of the Russian-speakers prefer to remain outside the parties. To remedy the situation, the country should adopt laws, under which each of the parties should have its branches in at least 66 percent of the regions (five out of seven administrative units). On top of this, the minimum numerical strength of the regional branches (not less than 100 to 200 people) should be established. This will put an end to the regional nature of the parties. Since women are essentially not involved in party activities (they comprise half of the country's voters), it is necessary to legally register the share of women (not less than 30 percent) to be elected to representative and appointed to executive bodies.

The majority of the parties are poor to the extent that they cannot afford to pay for offices, publications, events, and paid functionaries. They have no contacts with the trade unions, probably because there are independent trade unions in the country, while those that are still functioning have become too close to the state.

Today, the party development process has slowed down; there is a new trend toward unification of the already registered parties (so far, the trend is limited to the centrist parties). This was an initiative from above, so only the pro-governmental parties are taking heed.

If these, and other, negative phenomena are removed, the country could switch to the second stage of party development: the party system should be structuralized, party democracy should be developed, while a three-party, and, possibly later, two-party system should be formed. So far, neither the authorities, nor the public have recognized how important a new party system is for democratic ideals and values to triumph. There is no clear idea about such a system, while the authorities and the public do not know what should be done in this respect.

After the fourth constitutional reform of 2002, the old party-free election system was restored. Elections became strictly personified, while the voters tend to support the well-known people rather than party programs. It is expected that all bureaucrats will be required to be non-party people again.

So far, all efforts to set up a system of party democracy have failed mainly because there is a general lack of understanding that these problems are extremely important for the future of democracy; because the authorities lack initiative; because regional political clans and the opposition interfere with positive development; because there are no traditions of party life; because the regional barons are holding tightly onto their power; and because national specifics are over-emphasized. Lack of political will and inadequate laws are the main obstacles.

It is interesting to discuss, in this connection, the traditions of national party development. The first parties appeared in Kyrgyzstan early in the 20th century, after they appeared in Russia. The process became even more active after the revolution of February 1917. The parties corresponded to the level of sociopolitical development of Kyrgyz society: there were few of them; their membership was small, while their organizational structures shaky. The Muslim parties headed by religious leaders enjoyed more respect than the others. They (Shuro-i-Islamiyya, Shuro-i-Ulema, Ittifak, and others) were working in the south where Islamic influence was much stronger. These parties described their aim as achieving Muslim unity and setting up a Muslim republic within democratic Russia. (Muslim, or Turkic identification was much closer to people's hearts than national identification.)

The Alash-Orda Party set up in 1905 by Kazakh and Kyrgyz intellectuals was the only secular party functioning in Kyrgyzstan and Kazakhstan and was a branch of the Constitutional-Democratic

Party of Russia. The union with the Russian liberals was not a success: in the nationalities question the Constitutional Democrats supported the Great Russian ideas while the Alash-Orda wanted wide national autonomy for the "Turkic people." The party favored a democratic federative Russia with a parliament; it was highly respected by the national intelligentsia. On the whole, the Alash-Orda was a liberal party with certain specific ideas: they rejected private ownership of land and remained under the influence of the pan-Turkists, who wanted to unite all Turks into an autonomy within the Russian Federative Republic. Organizationally, the party took final shape after the February revolution of 1917; before 1918 it held three congresses. All the national parties of Turkestan hated czarism because of its obvious unwillingness to accept national equality and national development of the region's autochthonous peoples.

There were branches of the socialist parties of Russia (the Mensheviks and, to a lesser extent, the Bolsheviks) that worked in the united social-democratic party organizations. The political and ideological opposition between them was less obvious than in central Russia; the Socialist-Revolutionaries set up their own party network—they preached peasant socialism. The influence of all of them on the popular masses was negligible.

The process of party development was cut short by the Bolshevik victory and the "red terror" launched after the attempt on Lenin's life in 1918. Under the threat of repressions, some of the parties disbanded on their own free will, while others had to merge with the Bolsheviks. Many of those who disagreed with them either joined the opposition and the armed detachments of the basmachi or emigrated.

So far, there are no fundamental works in Kyrgyzstan dealing with the multiparty system, either because the documentary sources are inadequate, or because it is hard to read them (they used the Arabic script, which few academics today can read). Soviet historiography of the multiparty system and its history offers one of the two points of view. They were discussed in detail in two definitive collective works published in the 1970s: *Istoria Kirgizskoi S.S.R.* (History of the Kirghiz S.S.R.) and *Ocherki po istorii Kompartii Kirgizii* (Essays on the History of the Communist Party of Kirghizia). The former, a more primitive one, said that before the revolution there were no political parties in Central Asia; the latter recognized that there were several parties and described all non-Bolshevik parties as anti-Soviet. Soviet historiography never revealed the fact that the non-Bolshevik parties had hailed the October armed coup and resolved to cooperate with Soviet power. Their illusions were destroyed when the Kokand Autonomy set up by many multinational parties was crushed.

Only the Turkestan party of the Left Socialist-Revolutionaries was studied in any detail.¹ The first attempts at objectively analyzing the pre-revolutionary political parties in Kyrgyzstan were made when the republic acquired its independence.² The present day has not yet attracted any researchers. So far, individual articles, pamphlets and handbooks have appeared, the authors of which do their best to systematize the party development process.³

At the very beginning of perestroika, it was considered highly important to establish whether or not Central Asia had political parties before the revolution. The conservative communist leadership did a lot to distort the truth and prevent further democratic developments in the republic. First Secretary of the C.C. C.P.S.U. of Kirghizia A. Masaliev was fond of saying that the republic had no parties in the past and there was no need to set them up now. Democratic developments gave a clear answer to the question of whether the republic needed political parties or not.

The first political parties of Turkestan were far from ideal: they could rather be called circles or informal clubs (the same can be said of the parties of today) as far as their programs, organizational

¹ See: P.P. Nikishov, *Iz istorii krakha levykh eserov v Turkestane*, Kirgosizdat Publishers, Frunze, 1965.

² See: Z. Kurmanov, *Politicheskaia bor'ba v Kyrgyzstane: 20-e gody*, Ilim Publishers, Bishkek, 1997; Z. Kurmanov, E. Sadykov, *Abdykerim Sadykov. Lichnost i istoria*, Bishkek, 2002.

³ See: A. Akunov, E. Attokurov, "K pervym vyboram deputatov ZS ZhK KR po partiynym spiskam," *Politika i obshchestvo* (Bishkek), No. 2, 2000, pp. 144-156; B. Malabaev, "Uchastie politicheskikh partiy v vyborakh deputatov Zhogorku Kenesha: problemy i perspektivy," *Sbornik nauchnykh trudov iuridicheskogo fakul'teta KRSU*, KRSU Press, Bishkek, 2001, pp. 19-28; *Fraktsii i deputatskie grupy v parlamente Kyrgyzstana*, PROON Publishers, Bishkek, 2003; *Deputatskie ob'edinenia v Zhogorku Keneshe*, PROON Publishers, Bishkek, 2003.

structure, and methods were concerned. During the ten years of independence, our parties have not developed; they are still political clubs and circles with no clear division into activists and supporters, no clearly expressed political interests, no voters, no regional structures, and no programs. They do not run for parliament or local self-administrations. Their number is growing—their quality remains the same. The deputies that represent them in the parliament represent themselves rather than their political organizations. This explains why the authorities rejected proportional-majority representation in the Zhogorku Kenesh when carrying out the constitutional reform of 2002. According to Art 54 of the Constitution, political parties can nominate their representatives at parliamentary elections, which means that, according to the parliament's earlier decision registered in the election law, the party representatives and independent candidates compete on equal conditions. The majority system has been restored—this will preserve the current archaic political system dominated by regional groups and clans, rather than political parties. If the present election system survives no efficient deputy groups will be possible.

It seems that proportional representation was rejected for one more (never widely advertised) reason. The events of 2002 in Aksy, provoked by the failed attempt to arrest an opposition member of parliament and the subsequent shooting of his supporters at a rally, caused an acute political crisis in the country. The echo of these events was heard for about a year; even now, in 2004, it is hard to say whether the crisis has been left behind. It was not only conservative authorities that destabilized the situation by initiating the shooting—part of the blame should be placed on the political opposition, which organized numerous acts of civil disobedience. It was not easy to restore order, so it seems proportional representation was dropped because the people at the helm did not want to see the events repeated. Indeed, in a country where the standard of living remains low, the radical opposition has the best chance of winning a majority at the 2005 parliamentary elections. Proportional representation was abolished in the hope that the majority system and administrative instruments would create a more manageable parliament.

I cannot say that the leaders of the republic are unaware of the harm wrought by a situation in which political parties have no role to play, while the representative structures are managed by clans and regional groups. The majority system increases the chances of corrupt bureaucrats and members of criminal structures being elected to the parliament, which under the new constitution has acquired wider powers, right up to appointing cabinet members. Power says nothing about the need to leave the present paternalist-clan system of administration behind and move toward a democratic system, yet it is aware of this: it is promoting speedy decentralization of the administration, reform of the civil service and judicial system, introduction of so-called conscientious governance, etc.

The hopes that political parties will mature without state support proved futile; back in 2001 the government introduced certain amendments to the Law on Political Parties aimed at tightening up the requirements on them. So far, these efforts have been explained by the need to make the parties larger. Today, any organization with ten members can set up a political party; this does nothing but increase the number of parties without improving their quality. The government suggested that stricter rules be set up: parties should have no less than 500 members and regional organizations should be registered with the local judicial structures.

These amendments aroused a nationwide discussion; there were even harsher demands. It was suggested that parties should register their programs with the Ministry of Justice and take part in local elections. There are also plans to introduce rules designed to prevent the monopoly of one pro-governmental party and to diminish the chance of new marginal parties or parties oriented toward one leader appearing. There is a discussion about equal rights of the sexes in party development, about nominating more women candidates to the representative structures, and about registering parties with the Central Election Commission, rather than with the judicial structures. There is the opinion that the state should fund the parties represented in parliament.

The public is divided over these plans. Large parties (the Party of the Communists of Kyrgyzstan, the My Country Party of Action, and others) like the amendments because, they argue, the time has

come to acquire larger political organizations and start building a system of party democracy. The parties should leave the “period of political clubs” behind; they should move to the regions in order to find and mobilize supporters there. Abolishing the proportional system will create another problem: will it be possible to create a system of party democracy outside proportional representation in the elected bodies of power?

The radical opposition and dwarf parties disapprove of the amendments; they are convinced that they will squeeze them out of the republic’s political life. This fear is well-founded. It seems that it was precisely for this reason that the members of parliament, when discussing the draft Election Code, suggested that party nominees and independent candidates should be granted equal rights. This greatly damaged the party development process. What is more, independent candidates find themselves in a better position than the party nominees: they are not required to collect signatures in their support, nor are they asked to engage in public activities. They need merely write an application about their desire to run for a representative body and make a monetary deposit, its size being equal for party nominees and independent candidates.

It should be said that the authorities, fond of abusing administrative powers, and the opposition, which because of its numerous phobias often misses the forest for the trees, are equally responsible for the current situation. The public mistrusts power because it relies on its administrative influence and other illegal methods: even its sincere desire to improve the situation is seen as anti-democratic machinations, half-hearted efforts at best, and as the authorities’ disinclination to develop democracy. The opposition, for its part, is trying to perpetuate small parties and political circles under the pretext of real and potential persecution. This slows down the process of acquiring a clearer political structure and of social consolidation. Obviously, society will profit from the unification of political parties with shared ideologies and political ideals.

The country’s leaders are trying to set up a new strong party of power; today they pin their hopes on the Alga, Kyrgyzstan Party (set up according to the pattern of Berlusconi’s Forza Italia and Russia’s Edinaia Rossia with the help of the state, hand-picked people, and lavish funding). Helped by corresponding state structures, it has already carried out several large-scale sport events, humanitarian actions and shows; and it has set up regional and district offices and participated in local elections. Still, the expert community remains unimpressed: a process which reminds of what went on in Russia when Edinaia Rossia was set up may lead us back to the one-party system. Russia found the cost to be too high, yet the Kyrgyz leaders seem to be unaware of this.

The country’s leaders made an attempt to create a strong party of power back in 2000, but the result was disappointing. The bloc of pro-governmental parties, the Union of Democratic Forces, brought together four centrist and leftist-centrist parties. At the 2000 parliamentary elections, thanks to the administrative resource, they came second after the communists with four seats. Later the bloc members drifted apart and joined other deputy groups for regional and personal considerations. This, and the communist victory at the 2000 elections, created mistrust of proportional representation.

Early in 2004, over two-thirds of the members of both chambers asked the Constitutional Court to rule whether the amendment to the Constitution that increased the number of deputies from 75 to 105 (30 of them being elected by party lists) was made within the law. In May 2004, the Legislative Assembly introduced amendments into the Election Code, under which the councils of Bishkek and Osh, and the regional councils will be elected according to proportional representation. This still awaits approval by the Constitutional Court and the President.

Attention is still riveted to the party issue, even though the process abounds in problems and political details. The public wants to develop democracy; it wants to move away from the traditional paternalist-clan administrative system that has survived communist rule. The public and the authorities are becoming increasingly aware that no genuine democracy and no responsibility of power are possible without political parties. The country’s leaders have announced that the parties should work toward political stability. Life has shown, however, that the model of political party development the republic has opted for is not the best one.

Past experience shows that the ideal parties which functioned in the 1920s and are functioning today share certain common traits and have specific features of their own. First, today there are many more parties than in the 1920s, because there are more educated and politically aware people capable of leadership. Second, there is no division into activists and supporters in the traditional sense of the word. All party members are activists to the extent their organizational talents, intellectual powers, and political culture allow them. Third, a party works through communication and its response to events by carrying out actions and adopting political documents. Fourth, parties are still “clubs” and its varieties (political councils, councils, central committees, etc.). Fifth, power is the main goal, while criticism, rallies, meetings, picketing, hunger strikes, and other forms of protest are the main forms of struggle. At the same time, the majority of parties do not know how to organize this work and consolidate their forces in periods of stability. Sixth, very frequently the leader is more important than the collective. This fans conflicts inside parties; some of them split, others disappear; new parties are formed. Seventh, the parties of the 1990s are more politically diverse.

By way of a summary I can say the following.

1. The initial period of party development followed the pattern common to all other post-Soviet states (the first political parties grew out of informal public associations and movements; they were opposed to the C.P.S.U.; there were no relevant laws, etc.).
2. Parties developed further thanks to a better legal framework, which included direct (special) and indirect (electoral) legislation. These laws completely corresponded to the fundamental constitutional provisions related to political parties.
3. Further development of the multiparty system led to a system that has not yet become polarized and can therefore be described as a “non-systemic multiplicity of parties.”
4. Recently, it has become obvious that parties are integrating according to their ideologies and attitude to power.

After the political crisis in Aksy, the opposition announced that it was setting up two political organizations: a radical bloc, For Power of the People, and a more moderate one, the People’s Congress, which united several political parties and public movements of different ideological affiliations. Political scientists call such structures “unscrupulous” and describe their aim as “victory at all costs.” Such alliances are ruled by leaders, not political programs.

In the spring of 2004, in view of the upcoming parliamentary elections in 2005, a Citizens for Honest and Straightforward Elections was set up out of the members of the two blocs mentioned above. Even though its aims have not yet been announced and despite the fact that certain top bureaucrats joined it, the bloc continues what its predecessors started. These structures, and some of the political parties, try to coordinate their efforts to compensate for their organizational and financial weakness. In the West, large political parties act independently and form blocs after the elections; in Kyrgyzstan political parties prefer to pool forces for election campaigns.

The above testifies that so far the republic has not yet acquired a contemporary political or an efficient party system; to remedy the situation the state should actively promote the process by improving the laws and the election system, by creating equal conditions for all parties, and by extending adequate funding. A new law on political parties could improve the climate, help overcome the current problems of party development, bring order into the process, and create the best possible conditions for more efficient parties to appear; one of the aims is to restore proportional representation. Evolution of the parties left to themselves is fraught with unpredictable results, right up to curtailment of the democratic process and establishment of a harsh authoritarian regime.

UZBEKISTAN: POLITICAL PARTIES ON THE EVE OF THE PARLIAMENTARY ELECTIONS

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The very contradictory processes going on in all political parties of Uzbekistan are caused by the dynamic changes in their role in the country's political life. This observation is based on an analysis, first, of the ratings of their involvement in public life; second, of their election platforms; third, of the unfolding political rivalry; fourth, of the statements made by their leaders; and fifth, of their tactics. Today, while the progressive elites work toward reviving the status of their parties, some of the party leaders have demonstrated that they are not ready to accept any reforms.

Naturally enough, the republic, which is still living through the transition period, has not yet acquired influential parties of the Western type. The local parties have not learned how to attract supporters and keep them between election campaigns, how to formulate targeted programs from public sentiments, or how to translate these programs into life. The party leaders and the head of state have repeatedly admitted this. The continued chaotic social stratification¹ and the highly personalized nature of political organizations are also responsible for the parties' inadequate development. I should say that the absence of a communist party (such parties function in Kazakhstan, Kyrgyzstan and Tajikistan) is a very contradictory phenomenon caused by an underestimation of the importance of having a complete range of political viewpoints in society. This ban on left-wing parties is only encouraging right-wing sentiments.

It is wrong to say, however, that the country lacks political parties with any amount of experience and with recognizable leaders. The oldest of

¹ Here I have in mind social stratification of the working class (workers employed at large, including the defense, plants in Tashkent, Chirchik, Almalyk, Samarkand, Navoi, etc.) and the collective farm peasantry, as well as noticeable migration of the scientific and technical intelligentsia, that is, the three strata which can, in principle, form large stable parties.

our parties, the National-Democratic Party of Uzbekistan (NDPU) set up in 1991, and its activity confirm that there are enough people in the capital and outside it with adequate experience of party work,² who know how to enlist supporters, carry out an election campaign with satisfactory results, and even how to apply the latest political know-how. These party functionaries, however, lack other qualities very much needed for everyone engaged in public activities: political culture, popularity, and faith in the future of democratic reforms in the country.

At the same time, the parliamentary factions and certain local organizations of large political parties have already acquired enough influence to appoint people to top posts and carry out certain financial decisions. For example, the chairmen of the Oliy Majlis (the parliament) committees and their deputies can criticize the government and discuss execution of the state budget; and the heads of the regional branches of certain parties, such as the NDPU and the Fidokorlar National Democratic Party (Self-Sacrificers), can influence decision-making at the municipal level. Party functionaries are obviously independent figures with important political roles to play.

In the social context of the present transition stage of development people look at party functionaries as important figures, close to businessmen or state employees (teachers, doctors, officers, etc.).³

² I have in mind the process of large-scale party development that started in the Uzbek S.S.R. in about 1989, when a multiparty system appeared; it acquired clear organizational forms in 1990 with the abolition of notorious Art 6 of the Soviet Constitution about the C.P.S.U. as "the leading and guiding force of Soviet society." There were two more peaks of party development in Uzbekistan: in 1994 and 1999 during the first and second parliamentary elections.

³ Under Art 4 of the Law of the Republic of Uzbekistan on Political Parties, judges, public prosecutors, investigators, officers of the Interior Ministry structures and the national security bodies, the military, foreign citizens, or stateless persons cannot be members of political parties.

Party functionaries depend for their well-being either on high posts in the party hierarchy, on their families' business activities, or on their own desire to climb high up the party ladder. As distinct from businessmen and civil servants, party activists are free to dispose of their time and are much more sure of themselves.

Recently it became obvious that the professional requirements of party functionaries have changed: their greater involvement in legislative activities makes a law degree almost indispensable, and also allows them to go into private practice. (This should not be taken to mean that engineers with their mainly technical education couldn't be good party functionaries.) A party functionary should be a good speaker, he should demonstrate high vitality, good knowledge of the state tongue, a good command of English, and be a good mixer.

Wishing to upgrade the skills of party functionaries and the quality of party work in the republic, the authorities are supporting all institutions designed to develop new methods of party development and political technologies⁴ (the Academy of State and Social Development, the Institute of Strategic and Interregional Research under the republic's president, the National University, the University of World Economy and Diplomacy, the Tashkent Law Institute, the Institute for the Study of Civil Society, etc.).

Looking at developed countries (America, Britain, Germany, etc.), the public in Uzbekistan became convinced that political activities should

⁴ The 1999 parliamentary elections, as a result of which prominent members of the local intelligentsia became deputies, confirmed that political techniques play their role together with money and the administrative resource.

be a continuous process that does not stop once the elections are over. The constitutional reform started in 2000 was designed to raise the role of the legislature in the state. It gradually ripened until, finally, the parties reached the maturity needed to play an active role in elections. This reform was necessary because the parties failed to assert themselves sufficiently in the Oliy Majlis of the first and second convocations. It is still too early to predict the results of the coming parliamentary elections, even though the parties have acquired a legally confirmed higher status.⁵ It is hard to determine the extent and alternatives of administrative power the parties can command.⁶ In 1999, for example, many prominent experts were wrong about Fidokorlar's expected victory in the parliamentary elections: it failed to enlist the support of the regional, city, and district administrators, while the voters demonstrated different social and economic preferences. Still, it is possible to identify the main strategies the political parties will use in the 2004 elections.

⁵ In 1999, on the eve of parliamentary elections, the experts of Izhtimoiy fiqr, the largest public opinion center, found out that 45.5 percent of the polled were absolutely sure about the differences in the party programs and aims. According to express polls carried out by a group of independent sociologists in Tashkent, 67 percent of the polled saw no differences between the parties.

⁶ This situation is further aggravated by the fact that under the 1992 Constitution, the local administrators (in regions and cities) also head the local kengashes of people's deputies (that makes them the heads of the executive and legislative branches of power at one and the same time). This obviously cripples the checks and balances system. (Administrative reform, however, has already limited the previously unlimited power of the local executive structures.) The central power believed that the fact that prior to 2004 the kengashes of people's deputies could nominate their candidates to the elected bodies of all levels was keeping administrative influence in check to a certain extent.

I

Naturally, any analysis of the upcoming election campaign should start with a discussion of the last campaign in 1999. Let's have a look at how the Fidokorlar Party (expected to become a ruling party of a new type) has been gaining momentum. Founded in 1998 as a party of young people and businessmen, it played on patriotic sentiments and considerably improved its chances after the terrorist acts of 16 February, 1999 in the very center of Tashkent, the Uzbek capital. On the wave of national consolidation, the "Self-Sacrificers" (students and young businessmen) pushed the new party to second, after the NDPU, place in the election race.

The party was the first to set up regional organizations in the districts, as well as structures designed to attract various age groups: Yoshlar kanoti (the Youth Wing), E'zoz (Respect), and Fidokor ayol (the

Women's Wing). Anyone wishing to understand the present state of party development and political technology in Uzbekistan should bear this in mind. The political calculations proved correct: each of the groups looked at the party as its own. In the summer of 1999, its mass actions (sport competitions and pop shows⁷) in the regions attracted crowds of young people. The money thus earned was distributed among the poorest strata of the population; in this way the party tried to cushion the inevitable impact of the transition period on its popularity. Every year the party organizes regional conferences of its businessmen-members.

Despite of all this, in 1999 Fidokorlar failed to win the majority of seats. Many members of the expert community agree that among the organizational, personnel, financial, technical, and other causes (all very important for an analysis of the party development process) a paradoxical, tactical error cost it the victory. In the course of its first election campaign, the party was very caustic about bureaucrats and corruption. The bureaucrats responded using their administrative influence and damaged the party's election chances. Most of the expert community agrees that its youth prevented the party from fully tapping the influence of the regional elite; for the same reason Fidokorlar failed to successfully oppose the NDPU, its main political rival.

There were other miscalculations (typical of all parties) that cost the party its victory. In the course of the 1999 election campaign, it concentrated its efforts on the largest, most promising and socially important regions (Samarkand,⁸ Tashkent,⁹ Ferghana, and Namangan), while neglecting the comparatively small regions (Syrdarya, Navoi, Khorezm, and some others). Fidokorlar was probably pursuing political aims of its own, such as scoring a victory at all costs by strengthening its position in regions where religious extremists were relatively strong.

After the elections the party concentrated its efforts on the parliamentary committees, commissions, and its parliamentary faction.¹⁰ This allowed the party not only to reinforce its ranks (which would have been otherwise impossible because of underfunding of all the political parties), but also to analyze the situation in the regions.¹¹ The parliamentary faction includes several important figures (the vice premier and heads of several large enterprises) who preserved their posts.¹² Satisfied with its achievements and despite criticism from the head of state,¹³ the party ignored its everyday work among the common people¹⁴ and limited itself to random events in the capital and the regions.

The highly unpopular cabinet decisions passed in 2002, which ruined the army of petty traders who lived on illegal imports and tax evasion by regulating retail and wholesale trade and tightening customs control and taxation regime, as well as the numerous intermediary structures, tested the political parties' political maturity. They had either to explain to the people in clear terms the meaning of the unpopular measures or criticize them; as before, the parties shirked the responsibility of making this historic choice.

In 2000-2003, just as before when it criticized the bureaucrats in 1999, Fidokorlar found itself in another paradoxical situation. On the one hand, the party that had already betrayed its political weakness attracted open and active criticism from its opponents (the NDPU, for example, criticized it for the inflat-

⁷ The party scored a political victory by attracting Iulduz Usmanova, the most popular pop singer, to its ranks; it also enlisted support of the best film directors, cameramen, artists and designers, as well as promotion experts.

⁸ The position of any republican party at the elections in the Samarkand Region can be regarded as the second important indicator (after Tashkent) of its strength. In 2004, too, the region will attract political parties due to its powerful business and information structures.

⁹ The contradictory trends of industrial development in the formerly industrially developed Tashkent Region will create more problems in the coming election campaign. It seems the party candidates will have to clearly formulate realistic programs of industrial revival.

¹⁰ In 1999-2003, as a result of this, the party lost several of its most active supporters of the middle and lower ranks, who later joined the Liberal-Democratic Party.

¹¹ An Oliy Majlis deputy can do this during regular trips to his constituency.

¹² Only the members of the Fidokorlar Central Council dedicate all their time to parliamentary activities.

¹³ President of Uzbekistan Islam Karimov publicly criticized party leader Prof. E. Norbutaev, a prominent lawyer, for the party's political ambitions, which never coincided with the number of votes it received.

¹⁴ Today, the party offers the following figures about its membership: there are about 33,500 members in its 1,700 grass-root cells; the figures look doubtful when compared with the number of party cards issued.

ed figures of its membership and for the obvious inexperience of its leaders). On the other hand, it remained the “party of power” and, therefore, had to assume responsibility for the unpopular decisions described above. Having realized by the end of 2002 that a party swiftly losing its rating points would draw criticism from all sides during the upcoming election campaign, the people on top deprived Fidokorlar of its title of “main party” and of administrative support. The party could no longer rely on it to achieve its political goals.

II

To objectively analyze the political activities of the republic’s parties we have to bear in mind not only domestic, but also global and regional factors. Indeed, the main events of recent years—the use of the military airfields in Uzbekistan for the purposes of the counter-terrorist coalition (2001); Uzbekistan’s support of America’s actions in Iraq, and considerable strengthening of American-Uzbekistan relations—are affecting the parties to no less a degree than the trade-related decisions. America’s considerable financial support of Tashkent relating to the counter-terrorist operation in Afghanistan started, in a latent way, contradictory public trends (including American state support of the opposition forces in Uzbekistan). The weak anti-governmental groups acting in Uzbekistan took the Declaration on Strategic Partnership between Washington and Tashkent signed late in 2001, which contained an obligation of the superpower “to support all institutions of civil society,” as a legal guarantee of their continued activity.

It should be said that the Birlik and Erk groups set up late in the 1980s and operating until 1993 enjoyed considerable American state support even before the declaration was signed.¹⁵ After eight years in emigration, some of the émigrés (A. Pulatov, P. Akhunov, B. Malikov and others) tried to improve the image of the opposition regarded as “a product of Gorbachev’s perestroika and the Islamist-nationalist movement.” In their interviews with the foreign media (Radio Liberty, the Voice of America, etc.) in late 2001 and in 2002, they spoke about human rights and economic reforms. In the process they made the bad mistake of not addressing the youth and the business community (something pro-governmental Fidokorlar had done), the two most constructive social groups for stimulating social reforms. The Birlik activists and representatives of other structures mainly relied on their former members, many of whom had been sentenced to various terms in prison, and, as it turned out, were too emotional when it came to assessing the authorities. (It is interesting to note that back in 2001 the Birlik movement was very active in “looking for inordinate means to overcome the economic crisis.” It demanded, that, first, Uzbekistan should be given its share of the Caspian oil; second, that labor migration should be better controlled, by which they meant stemming illegal immigration; and third, that small business should be more actively supported.) Despite its obvious mistakes when it came to enlisting popular support, the movement elaborated (probably with the help of Western political technologists) a new line of political behavior approved by its regular congress in May 2003. This line mainly presupposed a peaceful dialog with the authorities; the same congress changed the movement’s name to the Birlik Popular Movement Party, probably for legal considerations and in order to improve its tainted image.¹⁶

Meanwhile, in May 2003, official political technologists busied themselves with the problem of the “party of power.” Fidokorlar’s continued crisis stimulated a wide discussion about the prospects for political reforms in Uzbekistan. In June-September, the Institute for the Study of Civil Society organized about 20 round table discussions that attracted about 860 of the best entrepreneurs and farmers and outlined about 30 most urgent problems related to the administrative barriers hampering entrepreneurial

¹⁵ Former U.S. State Secretary James Baker demanded that Tashkent legalize Birlik; the Uzbek authorities refused to succumb to pressure.

¹⁶ I have limited my analysis of the opposition groups which appeared by May 2003 because this problem, as well as the regional elites, deserves special consideration.

activity.¹⁷ It became obvious that these problems could only be resolved at the legislative level and that a new political party was badly needed: the round tables openly criticized Fidokorlar as the party of power, and the Chamber of Entrepreneurs and Producers, the two main defenders of the business community's interests, for their inadequate performance.¹⁸

The political technologists were convinced that the new party should be liberal-democratic since all social groups supported the liberalization course initiated by the head of state.¹⁹ Experts, probably convinced that the new party should not limit its activity to parliamentary elections, believed it wise to set up a "movement-party." This was how in October 2003 the party, Movement of Entrepreneurs and Businessmen—the Liberal-Democratic Party of Uzbekistan (MEB—LDPU), came into being.²⁰

From the very beginning, the phenomenon of party security, typical of any large country, could be clearly seen. In Uzbekistan, parties (this was especially true of Fidokorlar on the eve of the 1999 elections) try to keep their election activities secret and never submit complete information about what they are doing. In other words, the leaders and officials avoid interviews (the officials say they are acting on the orders of the party leaders), while the rank-and-file party members know nothing of interest. As a result, the public and local and foreign journalists look at the party as a "closed" structure. However, there are several other features that distinguish the MEB-LDPU's development from Fidokorlar's.

- First, the MEB-LDPU increases its membership by enlisting a large number of farmers and large and medium producers (outside the trade and intermediary structures), mainly with higher education, which is probably explained by their role in carrying out market reforms. The party also attracts intellectuals, mainly economists.²¹ (Fidokorlar, while following the well-known tactics "Either Vote or Lose" applied in Russia and concentrating mainly on young people and businessmen, failed in Uzbekistan: the party never clearly distinguished between its "members" and "supporters.") The new party followed different rules that made its core more stable.
- Second, the mass actions of the liberal democrats designed to attract more supporters are normally charitable events within the framework of the "Year of Charity and Kindness" going on in the republic. Businessmen who are also party members pay for well-equipped secondary schools to be built in remote and mountainous areas and distribute money and gifts among the poorest strata of the population. This is improving the image of the new party on the eve of the parliamentary elections.
- Third, the Liberal-Democratic Party is organizing seminars on election-related subjects for its most active members (between 25 and 80 people each), which have become fairly popular among them. More and more people are attracted by the interactive methodologies. (According to the Law on Financing Political Parties of May 2004, foreign foundations, alliances and organizations cannot fund political parties, so the old practice of using foreign money to organize training seminars was discontinued.) Today, these seminars are held on the money of local participants.

¹⁷ In September 2003, the document about the most urgent economic reforms produced by the round tables was actively commented on at foreign Internet sites, including the sites of the U.S. State Department.

¹⁸ The last round table was held at the Kumushkan recreation area outside Tashkent, where the documents and an application about registering a new party were signed. It was there that the initiative group asked the head of state for a meeting to be held, which took place on 7 October, 2003.

¹⁹ It was very hard to insist on the liberal-democratic nature of the future party since, on the whole, liberal democracy is closely associated with Vladimir Zhirinovskiy. It is interesting to note that this coincided with criticism of liberalism in Kazakhstan. To a certain extent the Liberal-Democratic Party of Japan was selected as the pattern for the new party.

²⁰ Its first leader Kobiljan Tashmatov (one of the leading bankers in Uzbekistan and a Fidokorlar deputy) knew more than others about the farmer movement in the country. A charming person and a skilful leader, who was born in the Ferghana Region and knew how to attract considerable funds, he promptly set up local structures of the new party.

²¹ The decree of the head of state issued after the well-known August 1991 events in Moscow is still in force in Uzbekistan. It banned party activities in creative unions, educational establishments, etc. Under Art 5 of the Law on Political Parties, members of political parties can take part in the events their parties organize out of hours and at the parties' expense.

- Fourth, the classical traditions of party development that required a “collective propagandist, agitator, and organizer” forced the new party to pay particular attention to its newspaper, *XXI asr* (the 21st Century). This multicolored publication with a circulation of 4,000 invites popular authors to discuss foreign and domestic issues. There is the opinion that it is gradually becoming the best in its class. In addition, the newspaper publishers instructed the editors to concentrate on critical articles irrespective of the people involved.²² For the first time since the *Fidokor* newspaper, as it was in 1999, *the 21st Century* analyzes the strategy and tactics of other political parties.
- Fifth, the party is busy establishing a network of consulting offices and expert groups for offering advice, including legal advice, to the public. This obviously attracts people. It is quite natural for the “party of power” to set up a network of public offices designed to help resolve conflicts, especially those in the business sphere. The MEB-LDPU invited experts and economists to elaborate party mini-platforms for the regions, discuss them with the local party cells, and blend them into a single party platform. In light of the very low level of legal knowledge in the business community, the party set up so-called emergency legal aid stations to help small businessmen (potential voters) cope with bureaucrats (read: corruption and arbitrary rule).

The new party has blundered in the process of its development. To my mind it was wrong to decline the services of people with rich experience in party work (in the NDPU, for example). This is especially obvious in the regional party organizations. These faults became clear in May 2004 when the post of party leader (filled by K. Toshmatov) went to M. Akhmedjanov, general director of the Tashkent Tractor Works (one of the largest enterprises in Uzbekistan), who in the Soviet past worked on the regional committee of the C.P.S.U. and, later, in the NDPU. It seems that this correct step will strengthen the party ideologically and organizationally. It would hardly be wise for the party to invite entrepreneurs, its main contingent, to become party functionaries. If it wins the elections it will have to organize systematic training of its core at courses or even party schools.

III

Political parties and initiative groups will nominate their candidates to the Legislative Assembly (the lower chamber); the Senate (the upper chamber) is formed according to a more complicated scheme: each region is represented by six senators elected by district, city, and regional councils of people’s deputies.²³ It seems that as a result, the khokims (governors, mayors, and administration heads)—the most influential actors in the election process—will find themselves among the senators rather than among the lower chamber deputies. Since this convocation of the Legislative Assembly will be the first professional parliament in Uzbekistan, administrative influence will mostly be felt at the municipal level. This will probably give more freedom to the central structures of all political parties when it comes to nominating candidates to the parliament (the lower chamber especially).

The role of the political parties in the upper chamber remains unclear so far: the senators will have to speak for their regions, the interests of which are not always identical to the interests of the parties that nominated them. Indeed, the interests of two senators from different parties representing the same council may clash over, say, communal tariffs.²⁴ They will find it impossible to remain loyal to their parties and to the region at one and the same time.

²² For example, one of the issues carried an open letter to the Governor of the Tashkent Region K. Tuliaganov and some other equally highly critical documents.

²³ According to the election laws, it is the task of the Central Election Committee to establish the election procedure. It is its responsibility to guarantee that the laws are observed in the process and to prevent the executive structures from interfering in the process.

²⁴ The NDPU presents itself as a party which takes the interests of the most vulnerable social groups to heart.

All parties want to see local administrators among their members—the presence of regional elites makes parties stronger.²⁵ The Liberal-Democratic Party went as far as inviting Vice Premier Sh. Mirziyaev to join its ranks. At the same time, political parties have been given the opportunity for the first time in recent history to take part in the executive structures.

The constitutional reform will upgrade the role of the local councils of people's deputies; it will contribute to the division of power at the provincial level and strengthen the so-called party groups.²⁶ This will happen if the state gives more rights to the local councils and party groups to appoint people to important administrative posts, deal with financial (budget) issues, etc. The relations between the party groups and the local offices of the same party will be regulated to the extent they affect (directly or indirectly) the legislative process.²⁷

The interests of all the political parties will clash during the elections, while their programs and the images of their leaders will either lead the party to victory or defeat. As distinct from the 1999 elections, people will vote for platforms which not only outline the most urgent problems (the minimum per capita consumption and subsistence level, civil service reform, etc.), but also show how to cope with them. The leaders will have to learn how to talk to their potential supporters.

There are four main criteria that can be applied to any party's organizational activities: the number of events, the number of people attracted by them, media coverage, and the expert community's opinion. An analysis of the election activities of the political parties carried out in May-June 2004²⁸ produced the following results. The NDPU is very influential in the Navoi and Bukhara regions; Fidokorlar (NDPF) in the Samarkand Region and Tashkent; the Social-Democratic Adolat Party (SDAP) in the Samarkand and Tashkent regions; the Milly Tiklanish Democratic Party (MTDP) in the Tashkent and Ferghana regions; and the Liberal-Democratic Party (LDPU) in the Djizak and Khorezm regions. The table below presents the ratings of the political parties' organizational activity.²⁹

Party	10 May	20 May	30 May	10 June	20 June	Average
NDPU	15	7	22	15	16	13
NDPF	4	15	9	7	11	9.2
LDPU	12	17	7	11	15	12.4
MTDP	6	6	13	10	9	8.8
SDAP	3	12	5	7	10	7.4

Obviously, just like 13 years ago, the NDPU is still the most active among the parties; the low rating of the SDAP can probably be explained by the looseness of its grass-root structures.

²⁵ The first Political Council of the MEB-LDPU included the khokims of the Khorezm, Surkhandarya, Samarkand, and Djizak regions. So far, the party has betrayed no intention of inviting heads of district and city administrations to join its ranks.

²⁶ Everything said about the local councils being ill-prepared to accept the reforms is not true. On many occasions the local councils (especially in Tashkent, Chirchik, Samarkand, and elsewhere) did not agree with regional administrations, public prosecutors, and other officials.

²⁷ According to the republican laws, people join parties as individual members, yet the laws say nothing about certain sides of the activity of parliamentary factions and party groups. In the future, the parties' greater involvement in state administration will require further specification of certain contradictory issues (related to deputies who change factions, deputies' responsibility to their factions, etc.).

²⁸ Similar analyses were conducted in the past, too. This one was organized on the eve of the enactment of the new Law on Elections to the Oliy Majlis (which entered into force on 1 July, 2004); for this reason it seems to be more accurate and free from administrative influence.

²⁹ The rating was based on the four factors enumerated above (number of events; number of people involved; media coverage; expert opinion).

I believe that the position of the NDPU will depend on its youth wing.³⁰ At the same time, the local mentality and profound respect for the elderly will preserve the party's image "as the party of wise men" for a long time. With its highly organized structure and a vast staff of functionaries, many of whom worked in the communist party structures, the party has a very good chance of getting at least 33 percent of the votes.

The Social-Democratic Adolat Party³¹ can rely on the experience of similar parties in Northern and Central Europe and count on international moral support. It has a good chance of developing into the party of the middle class.³² The Milly Tiklanish Democratic Party can win the hearts of the undecided voters with the help of the media. It should be added that the parties have already learned how to form blocs³³ or even alliances.³⁴ In this respect, Adolat and Milly Tiklanish have the best chances.

On the eve of the parliamentary elections one more, extremely important, problem has not yet been resolved. I have in mind political correctness. There are all kinds of examples of party structures using so-called dirty techniques to tarnish the image of rivals. This practice is not resolutely condemned in the media out of fear of damaging the country's image in the eyes of the world community. This is another side of national mentality. Indeed, all parties should sign, and observe, the code of election behavior; this is one of the OSCE's demands.

* * *

The scope and the role of the domestic and foreign factors, as well as the significance of this election campaign in sociopolitical life bring to mind the parliamentary elections of 1989 and 1994. In 1989, the level of political activity among the population depended on the actions of the reformers inside the Communist Party of Uzbekistan, while in 1994, it hinged on the efforts of the opposition to avenge their contracted influence in the country. Neither the communists, nor the young opposition will take part in the 2004 elections; the future of the social and economic reforms will depend on the parliament's composition. This gives all the parties, especially the young ones, a chance to demonstrate their ideological and organizational maturity.

³⁰ The recent change in leaders (A. Jalalov, a well-known philosopher, a former presidential candidate, was replaced by relatively young A. Rustamov) was a tactically wise move.

³¹ The fact that the party is headed by Academician T. Daminov, a well-known doctor, and has a large number of medics in its ranks makes it an organization of one profession.

³² The subject of the middle class dominates in the political vocabulary; in August 2002, when addressing the 9th session of the Oliy Majlis, the president outlined a policy for all-round protection of the business class.

³³ Today, due to the difficulties with implementing socioeconomic reforms and in order to promote national consolidation, the formation of blocs (between LDPU and NDPF, for example) would be the best answer from the tactical and ethical viewpoints.

³⁴ After the 1999 elections, the Vatan tarakkieti and Fidokorlar parties formed one party called Fidokorlar.

INTERNATIONAL TERRORISM

ON THE CIVILIZATIONAL AND
ISLAMIC NATURE OF
INTERNATIONAL TERRORISM

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Today, two trends are dominating ethnic and interstate relations. First, local conflicts that use limited troop contingents (smaller wars) are becoming more frequent; there is a clear realization that mass armed clashes lead nowhere. Second, contemporary wars and armed conflicts are gradually becoming longer and, therefore, require more material and human resources. Indeed, the world wars of the 20th century lasted for no more than six years each, while armed conflicts take decades and frequently end in the “neither war nor peace” stalemate (Vietnam, Afghanistan, the Middle East, Nagorny Karabakh of Azerbaijan, Abkhazia of Georgia, the Trans-Dniester region of Moldova, etc.).

The forms of contemporary irregular or smaller armed conflicts are varied. Specialists identify several of them as guerilla, or national-liberation wars, terrorist acts, which are actually acts of violence carried out by the minority against the majority, and irregular secret armed actions by special military units (special forces) carried out before regular military operations are launched, at the initial stage of such operations or parallel with them.

In real life contemporary smaller wars are not waged in their pure form; depending on the economic, social, political, ideological, and military context, they intertwine and complement each other. Acts of terror, for example, have an important, though not dominating, role to play in the secret armed struggle of the special services.

As a form of contemporary armed confrontation, international terrorism has several specific features which set it apart from other forms of smaller wars.

- First, terrorists employ tactics which contradict the norms of international military law; they consistently use force against non-combatants. In peacetime, they kill or wound civilians, making them the main target against which force is used.
- Second, destabilization has an indirect impact, and in the final analysis, this is more important than the direct impact of the terrorist acts. Terrorism is intimately connected with the media, which augment the indirect impact many times over. As a result, contemporary terrorism is not

limited by geographical boundaries—there are only political and psychological limits. The media offer terrorists a virtual space, in which they can exert political and psychological pressure and, from time to time, achieve the desired results. Terrorist acts negatively affect the victims and those closest to them, and their effect is carried even further, to larger groups of people. The media can be used to breed uncertainty at the national or even international level, as well as lack of confidence in the continued stability of public life. This forces the political leaders of the countries that have experienced terrorism to respond to the destabilizing effect (more often than not the responses are slack and smack of connivance).

- Third, because of its nature (its inhuman cruelty) terrorism will never become popular. Even if the state and the media fail to respond in a

clear and energetic manner, the people spontaneously and consistently reject terrorism and those behind it; acts of terror inevitably discredit violence and those who generate it. In fact, as a means of securing political support of at least part of the nation (to say nothing of the entire nation), terrorism is absolutely useless: it discredits its leaders and the violence they promote.

- Fourth, since terrorism is a war against the state and since it recognizes no rules and refuses to distinguish between the civilian population and the professional army, it is waged against the entire population. As the scale of terrorist acts increases, together with the number of victims, terror develops into a war against all people irrespective of their race, nationality, age, and gender. This makes terrorism a crime against humanity.

International Terrorism is not a Clash of Civilizations

The end of the Cold War gave rise to a widespread discussion in the academic community, mainly in the West, about the nature of future wars and conflicts. Works by Samuel Huntington, director of the John M. Olin Institute for Strategic Research at Harvard University, caused quite a stir. The summer 1993 issue of *Foreign Affairs* carried his article, “The Clash of Civilizations?”, in which he wrote that, while the 20th century was an age of ideological clashes, in the 21st century the main conflicts would occur between civilizations or confessions. He developed this idea in his book, *The Clash of Civilizations and the Remaking of World Order*, published in 1996.¹ He said that it was the cultural, rather than ideological, political, or economic differences that had emerged as the most important ones in the post-Cold War period. People all over the world begin to identify themselves with civilizations, rather than states or nations, because these differences between civilizations are the product of centuries. They will not soon disappear. “They are far more fundamental than differences among political ideologies and political regimes.”² Huntington singles out Western, Confucian, Japanese, Islamic, Hindu, Slavic-Orthodox, Latin American, and possibly African civilizations and insists that in the 21st century they will develop into the dominating factor of world politics. The fault lines between civilizations will be the battle lines of the future, he writes. Because of the demographic explosion, cultural revival, and absence of a state able to rally the Muslim countries, Islam is the West’s most dangerous opponent. Samuel Huntington is convinced that the Western and Islamic civilizations have been involved in a war raging for 1,300 years and showing no signs of abating.

Huntington is obviously concerned with the West’s safety; the second serious threat to the West comes from Asia, China, in the first place. He associates it with the state of affairs in Asia and discipline as the key factor behind its economic success.

¹ S. Huntington, *The Clash of Civilizations and the Remaking of World Order*, Simon & Schuster, New York, 1996.

² S. Huntington, “The Clash of Civilizations?” *Foreign Affairs*, Summer 1993.

To illustrate his idea about the clash along the “fault lines separating civilizations,” Huntington points to the Caucasian and Balkan conflicts, that is, to the regions that at all times have been conflict-prone. In the past the conflicts were territorial and ethnic rather than civilizational: for centuries these regions have been populated by numerous ethnic groups living side by side on the same territory, interacting and intermingling. The conflicts were either smoothed over or smothered during the time the local nations belonged to rivaling empires. In fact, all local conflicts were not so much civilizational or religious—they were geopolitical conflicts. For example, after the Crusades the area knew no direct clashes between Christianity and Islam, while World Wars I and II, the Civil War in Russia, the wars between Iran and Iraq and between Iraq and Kuwait, the genocide in Cambodia and Ruanda, that is, the most appalling and bloody tragedies of the 20th century, occurred within the same civilization. Olivier Roi, a French expert in Islam, has written that “there is no war of civilizations.” He believes that “we are living in a period of transition with its specific problems and are witnessing a crisis of Islamic identity.” He added that “nearly all those involved in the terrorist acts in the United States spent some time in the West.” Therefore, he concludes, “we are not dealing with a clash of regions similar to the classical wars of the past. This is, rather, an internal crisis of the West.”³

It can be noted that, contrary to what Huntington says, the wars and conflicts within the same civilization, or even the same country, the same nation or between neighbors, not “along the fault lines separating civilizations,” proved to be the most devastating. We should add that “out of the 278 wars that occurred between 1480 and 1941, 78, or 28 percent, were civil wars. Between 1800 and 1941, there were three-fold more wars between states than civil wars. According to German academics, between 1945 and 1985, there were 160 armed conflicts in the world, 151 of which took place in the Third World. There were only 26 days of complete peace during these forty years. Between 25 and 35 million lives were lost.”⁴

On the other hand, today disturbances and violence are mostly associated with ethnic and ethnoconfessional conflicts, the number and intensity of which are on the rise. These conflicts are not necessarily of a civilizational nature. Indeed, “the majority of 34 conflicts that took place in 1993 were caused by power struggles and territorial disputes. Obviously, in the near future local and regional conflicts of varying scope and violence will become the most likely form of settling territorial, ethnonational, religious, economic, and other disputes.”⁵ For example, the conflicts between the Georgians and Abkhazians, Georgians and Ossets, as well as between the Tamils and Sinhalese or between the Hutu and Tutsi in Ruanda, cannot be described as civilizational.

From this it follows that “in the post-Cold War period and amid disintegration of the bipolar world we are often confronted with non-traditional conflicts, in which an aggressor is not necessarily the strongest and the largest side: disintegration processes are often started by an aggressive minority. The ‘strength of the weak’ is manifested in their ability to blackmail larger states and international organizations and impose on them their own ‘rules of the game.’ The international criminal cartels of drug dealers and arms traders are spreading to countries and regions; they criminalize politics and politicize the criminal world.”⁶

It should be said that many of the post-9/11 publications try to present international terrorism as a product of the division of the world into rich and poor countries, “the fault lines between which” run along civilization borders. These authors are convinced that this division makes “the clash of civilizations” inevitable: the North vs. the South; Christianity vs. Islam; the poor vs. the rich. This interpretation, which follows Huntington’s ideas, is based on the figures illustrating the wide gap that separates the developed post-industrial countries of the West and the Third World as far as their economies and standards of living are concerned. Until the gap is closed, and until the post-industrial states start doing their best to liquidate poverty in the Third World, the struggle of the destitute and the despairing against the rich and the

³ Quoted from: S. SHERMATOVA, “Zapad pered vyborom,” *Moskovskie novosti*, No. 39, 25 September-1 October, 2001.

⁴ K.S. GADJIEV, *Vvedenie v geopolitiku*, Logos Publishers, Moscow, 2002, p. 408.

⁵ *Ibid.*, p. 409.

⁶ *Ibid.*, pp. 411-412.

privileged will go on and will develop into terror. Regrettably, the authors agreed that the struggle would go on under the green banner of Islam.

These predictions are far removed from reality. For over 50 years now the majority of the population of Central Africa and elsewhere has been living in appalling conditions, on the brink of extinction. Yet they have produced no terrorists, religious fanatics, or militants. The ETA and IRA terrorists were born in prospering and fairly developed European countries. "Money and a set of ideological postulates can attract recruits from among the poor and the rich; from among those who hate and those prepared to go to any lengths. Terrorism starts not where there is 'real' poverty, but where a feeling of poverty, injustice, and despondency is created deliberately. People must be told that they are poor and must be taught to hate. There is no absolute poverty; there is any number of countries where people live in much worse conditions than in the Arab world. Nobody came to them to explain or show them on TV that 'you are exploited by the golden billion, you are poor and you deserve a better life.' In this way people are given to understand that they are poor and oppressed. Terrorism stems from this understanding rather than from real poverty."⁷

There is another example. It is common knowledge that over one million Azerbaijanians were driven from their homes by ethnic cleansing in Armenia and its military aggression supported by the Armenian separatists of Nagorny Karabakh of Azerbaijan, international terrorist groups and mercenary units to become refugees and internally displaced persons (forced migrants).⁸ Today they are living in the so-called tent camps. Despite the efforts of the Azerbaijani officials and international humanitarian organizations, the situation in the camps is awful; every year old people, women, and children whom Armenia's aggression deprived of their homes and property die by hundreds. A new generation which has never known better conditions, proper homes, and property and is deprived of an adequate education is growing up there. Still, so far there has been not a single act of terror committed by these people; there is not a single terrorist among them.

Terrorism is an illness caused, to a certain extent, by uneven and disharmonious development of all spheres of social life, which creates conditions conducive to terrorism. It is people, groups, political circles that turn it into ideology and practice. "Those who cause specific conditions conducive to violence or offer moral justification and doctrines do not fight themselves as a rule. Those who translate ideology into violence are recruited from different circles... This is what happens in Sri Lanka and Ulster, and among the Latin American guerillas and other rank-and-file participants in all sorts of 'movements,' 'revolutions' and other forms of collective violence."⁹

Those who believe that international terrorism is a product of despair of the poorest regions or poorest people are wrong. Indeed, in no state, be it authoritarian or democratic, can poor people shape politics; at best they are involved in the process of change, while struggling for survival.

On the other hand, if we do want to know who is fighting whom, we should bear in mind that those several scores of people who prepared and carried out the terrorist acts of 9/11 spent a considerable part of their lives in Western Europe and the United States. It was there that they learned how to organize and carry out terrorist acts and bought their instruments of terror. From this it follows that the struggle is unfolding within one and the same world; it is this world that breeds cruelty, fanaticism, and the willingness to carry out terrorist acts. This is true of the acts of terror in Moscow, Volgograd, Buynaksk, and other Russian cities; they were generated by the Russian environment, rather than by poverty and violence. Terrorism is neither a clash of civilizations, nor a war of the worlds. It is a phenomenon that "knows no boundaries and can exist everywhere. Global (large-scale) terrorism, which requires knowledge, skills, and resources, cannot exist without the rich world."¹⁰

⁷ V.A. Tishkov, "Sotsial'no-kul'turniy aspekt terrorizma," *Sotsial'nye i psikhologicheskie problemy bor'by s mezhdunarodnym terrorizmom*, Nauka Publishers, Moscow, 2002, pp. 22-31.

⁸ See: "Human Rights Questions." Letter dated 25 October, 1996 from the Permanent Representative of Azerbaijan to the United Nations addressed to the Secretary-General [<http://www.un.org/documents/ga/docs/51/c3/ac351-9.htm>].

⁹ L.M. Drobizheva, E.A. Païn, "Sotsial'nye predposylki rasprostraneniya ekstremizma i terrorizma," *Sotsial'nye i psikhologicheskie problemy bor'by s mezhdunarodnym terrorizmom*, pp. 39-59.

¹⁰ V.A. Tishkov, op. cit.

This proves that all civilizations can live side by side, that any theories about a “clash of civilizations” or about terrorism of the poor against the rich are groundless, that civilizational differences, as well as poverty and despair are merely fertile soil, not the eternal source of international terrorism. It is driven by the evil force of people (the number of whom is not large, after all) who exploit the sincere religious feelings and religious fanaticism of the youth, whom they push along the wrong path.¹¹

Is There “Islamic Terrorism”?

Researchers are fond of using terms that make it much harder to produce a universal definition of terrorism. I have in mind such coinages as “superterrorism,”¹² “special terror,” “special terrorism,” “special terrorist milieu,” and “special terrorist ideology.” By “special terrorism” these authors mean “cooperation between special services and terrorism,”¹³ which makes it much harder to clarify the problem: international documents interpret the fact of cooperation between special services and terrorists as “state terrorism.”

An article by Russian political scientist Gleb Pavlovskiy, which appeared in *Nezavisimaia gazeta*,¹⁴ is especially illustrative in this respect. While pointing out that the international organizations have officially recognized “attacks of suicide terrorists on the civilian population” a military crime and a crime against humanity, he writes: “New terrorism has been experimenting for a fairly long time with contemporary armaments by combining all types of impact on the contemporary technological structure to inflict maximum damage on the civilized countries.” Describing the suicide terrorists as “shakhids,” the author concludes: “The shakhid is a highly manageable and serially produced weapon.” In the Muslim world, however, the word “shakhid” is used in a positive and elevated meaning and is applied to a person who sacrificed his life for the sake of his country, his nation, or for any other lofty goal. Pavlovskiy’s identification of shakhids with suicide terrorists is, first, unethical and betrays his lack of respect for the Muslim world, and second, may create the impression that Islam is a religion of terror. This contradicts the meaning and philosophy of Islam, which is a religion of peace and has nothing in common with international terrorism.

I should say that the frequently used combination of the two words—Islamic terrorism—is fraught with opposition between religions and civilizations. Islam is one of the traditional world religions, which has shaped a specific civilization and culture with a spiritual, moral, political and legal system of its own. Throughout its history, Islam has acquired definite ideas about the relations between power and the individual based on tolerance, moderation, compromise, gradualness, and stability.¹⁵ The terms mentioned above cannot be applied to terrorists, who have neither religion, nor ethnic affiliation. The majority of the expert community shares this conviction: when writing about terrorists and their organizations operating under the banner of Islam they prefer to use the terms “Islamists” and “Islamist terrorist groups” to stress the difference between the followers of traditional Islam and radical or extremist groups. Many of the prominent Muslim figures share this conviction: “The phenomenon of these radical or extremist groups does not represent true Islam, but stems from a misinterpretation of the religion, and even heresy. ...Islam cannot be used for terrorist activity because of its peaceful elements.”¹⁶ V. Ustinov has written in this connection: “When assessing the nature of social conflicts, from which terrorism stems and on which it

¹¹ See: G. Mirskiy, “Terakt na Manhattane—voyna tsivilizatsiy?” *Nezavisimaia gazeta*, No. 175, 20 September, 2001.

¹² V. Orlov, A. Khlopkov, “Na povestke dnia—‘superterrorizm’,” *Nezavisimoe voennoe obozrenie*, 21 September, 2001.

¹³ M.M. Markov, *Terrorizm kak global’naia ugroza i kak instrument mirovoy politiki* [http://www.politic.donetsk.ua/cgi-bin/politic/info/list.cgi?gr=terror&pg=0001 /2004.06.29/].

¹⁴ See: G. Pavlovskiy, “Ugroza, ot kotoroy ne zastrakhovan nikto,” *Nezavisimaia gazeta*, No. 215 (2769), 9 October, 2002.

¹⁵ See: L.R. Sjukijainen, “O printsipakh i tseliakh gosudarstvennoy politiki v otnoshenii Islama,” *Sotsial’nye i psikhologicheskie problemy bor’by s mezhdunarodnym terrorizmom*, pp. 32-38.

¹⁶ R. Paz, *Is There an “Islamic Terrorism?”* [http://www.ict.org.il/articles/isl_terr.htm /2004-06-29/].

develops (this is especially true of terrorism based on various interpretations of Islam or, as it is often incorrectly called, Islamic terrorism), it is wise to probe deeper into the religious factor, an important determinant of sociopolitical processes in Islamic societies.”¹⁷

The philosophy of Islam puts this in a nutshell as follows: “Help one another in kindness and charity, but do not cooperate in evil and enmity.” However, “the central notion, common to most of the Islamic movements and groups—those that carry out terrorism and political violence, and those that justify it and feed the atmosphere that promotes such activity—is that of being in a state of siege which calls for self defense. To the believers in this concept, the confrontation justifies the use of all means—particularly when these means are given religious legitimacy.”¹⁸ This explains why terrorists usurp fundamental Islamic concepts (jihad, taqfir, shakhid, etc.) to justify their acts of terror. This, however, can justify neither the terrorists allegedly acting under the banner of Islam, nor those experts, politicians, journalists, and academics who use Islamic terms to describe terrorists. I should say that while the former do this deliberately, the latter do this because of their ignorance of Islamic philosophy and the problems of terrorism (I regret to say that there are cases of deliberate misuse of such terms aimed at opposing Islam to the rest of the world).

It is wrong to apply Islamic terms to terrorists, first, because such usage is anti-Islamic; second, because it fans religious intolerance and hatred and, finally, because it sets civilizations against each other and confuses the public. As a result people start looking at Islam as a threat to the civilized world. This is a dangerous trend fraught with negative consequences.

Prof. Jansen of Netherlands, one of the leading experts in the problems of fundamentalism and radicalism has the following to say: “In a fiercely competitive society the dominant religion may preach that the greatest virtue is to love one’s neighbor. The religion of a group, which over the centuries has become marginalized, may, on the other hand, preach that God (Allah.—R.S.) has exclusively and explicitly chosen those who follow his commandments. This group may come to believe that it plays a central role in the history of God and his creation.”¹⁹ When writing about the nature of Islamic fundamentalism he says: “Islamic fundamentalism is both politics and religion. It has a dual nature. When it is analyzed as if it were a movement that has a political nature only, mistakes are made because fundamentalism is fully religion at the same time.”²⁰

I should say that any religion has its share of extremism and radicalism. The conflict in Northern Ireland, which raged there in the latter half of the 20th century, was considered an exception for Western Europe: “It was a classical case of terrorism by an ethnic minority, whereby a provisional organization, the IRA, a tiny part of the Catholic minority, tried to ‘liberate’ the territory, the population of which did not want to be liberated,”²¹ wrote P. Wilkinson in his *Terrorism & the Liberal State*. This longest and bloodiest campaign organized in a contemporary liberal-democratic society revealed the problems provoked by terrorism. P. Wilkinson goes on to say: “Terrorism pushes the country closer to a civil war and complete anarchy.”²²

According to V. Ustinov, during this period of violence in Northern Ireland one out of one hundred people living in Ulster was either killed or wounded (this means that one out of six families lost one of its members, either killed or wounded). During 30 years of terror, the IRA fighters killed or wounded over 38,000; between 1969 and 1984, the peak years, 2,400 people were killed.²³ V. Ustinov wrote: “The years of violence divided society; this considerably reduced the possibility of negotiations and a compromise. The effect of hatred in society was as dangerous as the violence itself. Several generations were raised

¹⁷ V.V. Ustinov, *Mezhdunarodniy opyt bor’by s terrorizmom: standarty i praktika*, Iurlitinform Publishers, Moscow, 2002, p. 337.

¹⁸ R. Paz, *Targeting Terrorist Financing in the Middle East* [[http://www.ict.org.il/articles/articleDet.cfm?articleid=137 / 2004-06-29/](http://www.ict.org.il/articles/articleDet.cfm?articleid=137/2004-06-29/)].

¹⁹ Johannes JG Jansen, *The Dual Nature of Islamic Fundamentalism*, Cornell University Press, New York, 1977, pp. ix-xi.

²⁰ Ibidem.

²¹ See: P. Wilkinson, *Terrorism & the Liberal State*, Second edition, MacMillan, Basingstoke and London, 1986, p. 164 (quoted from: V.V. Ustinov, op. cit., p. 326).

²² See: Ibid., pp. 90-91 (quoted from: V.V. Ustinov, op. cit.).

²³ See: V.V. Ustinov, op. cit., p. 327.

during the years of conflict; all of them were poisoned by the atmosphere of intolerance and suspicion. The younger generations divided at an early age by their confessions became militarized. Even the dwelling quarters were divided into Protestant and Catholic by invisible borders.”²⁴ The conflict in Northern Ireland had both political and obviously religious overtones: religious extremism and intolerance were the logical results. Despite this, none of the politicians, experts, or journalists applied religious terms to the IRA terrorists and never called the conflict “Christian terrorism,” “Catholic extremism,” “Christian fundamentalism,” etc.

It seems that in this case, as in the case of “Islamic terrorism,” we should not talk about terrorism of any specific confession (be it Islam, Christianity, or any other world religion). It should be described as the criminal activity of terrorist organizations or terrorist activity under the guise of one of the world religions.

I have already written that the media add to the efficiency of international terrorism. TV news about acts of violence, commentaries, and quotes from terrorists arouse fear in the common people. The same people, however, become convinced that society should answer these challenges, stem international terrorism, and prevent its victory over civilization. An analysis of the 9/11 events says that these terrorist acts, which claimed a multitude of lives and inflicted huge material and moral losses, were spearheaded not only against the United States. One of the authors wrote: “The terrorists wanted to provoke an American strike at the Islamic world so as to cause an unprecedentedly mighty wave of indignation at and hatred of America, not only in the Muslim countries, but also throughout the Third World.”²⁵ This shows that the terrorist, allegedly Islamic, organizations are acting, to a great extent, against Islam.

A series of terrorist acts carried out in 2003 in Riyadh and Istanbul, which produced scores of killed and hundreds of wounded, showed beyond a doubt that the terrorists and their masterminds were indifferent to their victims’ confessions. It should be added that the monstrous crimes in Istanbul were carried out during the month of Ramadan, one of the holy Islamic periods when the faithful are expected to be charitable. In other words, terrorists acting allegedly under the banner of Islam attack not only other religions, but also their own Muslim religion, making Islam and the Muslim world their main victims.

Terrorist organizations started mushrooming in the mid-1980s, but this phenomenon has not yet been adequately studied. According to certain experts it was caused by a “confrontation of civilizations and deepening contradictions between the Islamic world and the West.” I think that there were other global factors behind this, one of them being the sending of Soviet troops to Afghanistan, an event that started many negative trends in mankind’s development. This is confirmed by the fact that many of the active terrorist groups, the notorious al-Qa’eda in particular, were set up at that time.

History knows many examples of state terrorism. Terror and the methods it employed during the Cold War period acquired a new quality and new meaning. Many of the terrorist organizations were either supported by communist regimes or Western states, or took commands from them. The terrorist structures acting under the banner and in the name of Islam are rooted in the Afghan war. It is common knowledge that the West, the U.S., and the U.K. in the first place, regarded it as an instrument for destabilizing the Soviet Union. Radically minded people from the Muslim countries, as well as from America and Britain, who looked at socialism as a threat to Islam, were conscripted to the detachments of armed resistance (called “dushmans” by the Soviet press), which were about 30,000-strong. They were trained and armed by the American and British special services using drug money, among other sources.²⁶ As a result, professional militants appeared in Afghanistan, while the war veterans became a force for carrying out acts of subversion and terror all over the world, including in the Muslim world.

When the Soviet Union withdrew its troops from Afghanistan, the dushmans (later known as mujahedin) moved into illegal international trade in drugs and weapons; they joined terrorist organiza-

²⁴ See: V.V. Ustinov, op. cit., p. 327.

²⁵ G. Mirskiy, op. cit.

²⁶ See: M. Liebig, *Strategicheskiy kontekst sovremennogo irreguliarnogo vedenia voyn* [<http://www.df.ru/~metuniv/consor/LIEBIG.html> /2004-04-29/].

tions in the Middle East and fought in local wars all over the world. In 1988, Osama bin Laden set up al-Qa'eda, an international terrorist organization, the backbone of which was made up of Afghan veterans, with the aim of deposing secular regimes in the Islamic countries in order to "restore a worldwide Muslim state."²⁷

Obviously, the upsurge of terrorist violence, appearance of new terrorist structures (religious-fundamentalist allegedly acting under the banner of Islam), and spread of international terrorism at the turn of the 21st century were mainly initiated by the special services of many countries under the conditions of bipolar rivalry. The Soviet military intervention speeded up proliferation of religious-fundamentalist ideas and radicalized the fundamentalist movements in many regions of the world.

In the post-Cold War period when the socialist bloc had fallen apart, international terrorism continued spreading, spurred on by the global changes all over the world:

- Geopolitical and geostrategic rivalry among many countries;
- The growth and strengthening of radical-national, religious-fundamentalist, and separatist movements and the emergence of several conflict-ridden regions;
- The escape of a considerable number of terrorist organizations from under the control of their sponsor states; the emergence of uncontrolled armed detachments formed by unemployed professional fighters who used to carry out special state missions during the Cold War;
- The emergence of new states with unfounded territorial claims against their neighbors, prepared to realize them by force, etc.

²⁷ Iu. Gavrilin, L. Smirnov, *Sovremenniy terrorism: sushchnost, tipologiya, problemy protivodeystvia*, Knizhniy mir Publishers, Moscow, 2003, p. 26.

TERRORISM IN CHECHNIA: DEFINITION OF THE PHENOMENON AND ITS EXPLANATION

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“Much has been written about terrorism; albeit a phenomenon that seems to have been studied in detail, it remains sinister, enigmatic, irrational, and defying complete understanding.”¹ It is hard to deny this opinion of

prominent Russian Orientalist Georgy Mirskiy: it can be applied both to the theoretical-methodological side of the phenomenon and to a case study of terrorism in Chechnia. In the past ten years the concept of terrorism has been closely associated with Chechnia; this definition, as well as the much more recent coinage, counter-terrorist operation, have been accepted by the Russian expert community

¹ G.I. Mirskiy, “Drakon vstaet na dyby,” *Posev*, No. 7, 2003, p. 14.

to the extent that they require no further explanation. Both of these phrases have even become journalist clichés, incantations devoid of any scholarly meaning. Paradoxically, terrorism and the counter-terrorist operation in Chechnia as two specific problems remain outside the limelight of attention. Normally, they are discussed together with other, wider, problems: the relations between the federal Center and the separatists, between the Kremlin and the pro-Russian administration of Chechnia, the military-political aspects, and the problems of Islamic revival in the Caucasus. Meanwhile, any attempt at a meaningful investigation of the phenomena of “Chechen terrorism” and the “counter-terrorist operation” runs across difficulties of a scholarly and applied nature that call for

profound investigation rather than superficial descriptions.

Here I shall attempt to discuss terrorism in Chechnia as an independent political phenomenon, investigate, in particular, its specific problems, identify its place among other separatist political practices, deflate the concept of terrorism as applied to Chechnia, distinguish between the terrorist acts of local separatists and common banditry and criminal activity, analyze these “terrorist rhythms” in order to explain their frequency and the causes behind their acceleration and slowing down, and discuss whether the term “counter-terrorist operation” can be applied to Russia’s policy in Chechnia after 1999, as well as the causes and possible results of its use.

“Chechen Terrorism”: An Attempt at Definition

Terrorism which is called “Chechen terrorism” cannot be unequivocally described as ethnic or religious, even though ethnic Chechens predominate among the perpetrators of terrorist acts and among those who plan them; there are also Arabs and RF citizens from Daghestan, Karachaevo-Cherkessia, North Ossetia, and the Stavropol Territory, ethnic Russians among them. Their Islamic rhetoric cannot conceal the fact that the slogan “Islamic purity and defense of faith” comes second after the idea of the republic’s independence in the ideological repertoire of independent Ichkeria. Political scientist Oumar Alissoultanov correctly points out: “The militant trend of Islam ... as believed, [was] ‘imported’ by Arab and Daghestani missionaries. However, it remains marginal in Chechnia. During the first and the second wars, it earned some popularity among the rebels. Some rebels’ fractions, supported by Islamic fanatics from abroad, defined their struggle as *jihad* against ‘pagan’ Russia, and declared the ‘liberation’ of Caucasian Muslims and the creation of an Islamic State as their ultimate goal. However, for the majority of the rebels, despite repeated reference to Islamic values, their cause was primarily political and not religious.”² It seems that another specialist in Islam, Alexei Malashenko of Russia, was also right when he wrote that radical Islam was actively exploited by the Chechen separatists with different degrees of intensity as a means of justifying their terrorist acts (it was most prominent in the latter half of the 1990s).³ Separatist groups, too, treated radical Islam as a means of struggle differently.

It seems that the terrorist acts of the Chechen separatists that resounded all over the world were carried out for the sake of “liberating Ichkeria,” rather than for the sake of Islamic purity. Shamil Basaev’s raid of Budennovsk on 14 June, 1995; Salman Raduev’s invasion of Kizliar in January 1996, and the terrorist act in a Moscow theater on 23-26 October, 2002 were accompanied by demands to stop the fighting, withdraw the RF Interior Ministry troops and units from Chechnia, and start political negotiations about the republic’s future status. Contemporary “Chechen” terrorism can be more correctly described as separatist terrorism with certain ethnic and religious overtones.

² O. Alissoultanov, “The Chechen Crisis: Genesis, Dynamics, and Recent Trends,” *Central Asia and the Caucasus*, No. 2 (26), 2004, p. 19.

³ See: A.V. Malashenko, *Islamskie orientiry Severnogo Kavkaza*, Moscow, 2001.

In addition, "Chechen terrorism" can hardly be defined as terrorism in the strictly academic sense of the word because, among other things, those who planned and carried out these terrorist acts never shouldered political responsibility. The ties between the masterminds behind them and the Chechen separatists were usually revealed during the investigation process and court proceedings.

It is hard to identify "Chechen terrorism" and analyze it because the concept itself is being devalued in numerous memoirs (mainly written by former officers of the army and special services), in the press, and even in academic writings: it is applied to a wide range of illegal acts.⁴ They describe banditry and attacks on Russian military facilities as terrorism without formulating any political aims, hostage taking, and slave trade. The best possible definition of the phenomenon of terrorism requires special theoretical and methodological investigation, yet I think it is necessary to say here that "Chechen terrorism" cannot be fully identified with the deviant behavior of certain defenders of "free Ichkeria." I believe that "Chechen terrorism" is part of Chechen separatism which manifests itself in various forms and results. In short, not everything that has taken place in Chechnia since 1991 can be described as terrorism.

Academic writings abound in often highly emotional definitions of terrorism. For example, Richard Falk, an American expert in international law, describes any type of political violence carried out without adequate moral or legal justification as terrorism, irrespective of whether it was carried out by a revolutionary group or a government.⁵ Most students of terrorism agree that it is hard to identify it and offer a more or less consistent definition of it. They all agree, however, that terrorism is a political act and politically motivated violence. According to Georgy Mirskiy, it is precisely the political side of terrorism that allows researchers "to discount mafia wars and gangster gun fights even if their methods are very similar to those used in political acts."⁶ From this it follows that "Chechen terrorism" today carries out politically motivated actions and has nothing in common with the banditry of marginalized independence fighters. But this is not to say that a stricter approach to the definition of this kind of terrorism politically or legally justifies the activities of ordinary criminals. All we are talking about is two different forms of social behavior in post-Soviet Chechnia.

The Russian authorities regard terrorism in Chechnia not as a means (one of many) the separatists are using, but as their ultimate aim, precisely because the concept of terrorism has become too vague. The term "counter-terrorist operation," which is very unfortunate from the political standpoint, is closely connected with the above. Let me remind you that "at the time the federal armed forces were sent to Chechen territory in the fall of 1999, it was stated that the counter-terrorist operation would last for two months."⁷ The operation turned out to be much longer, which means that the authorities fell into their own trap. The number of terrorist acts in the country has not declined—it has grown. The forms and methods have also changed: today, suicide terrorists are widely used. The problem is rooted in the wrong definition of the meaning and nature of the political challenge, rather than in the Russian leaders' ability (or inability) to address the problem of the republic's continued existence within the Russian Federation. There are cases when purely academic problems of terminology produce political results.

Regrettably, in 1999 the Russian authorities were much more concerned with their rating than with anything else and failed to explain to the public the obvious: control over the mutinous republic and suppression of the seats of open resistance would force separatists to turn to terrorism. A blitzkrieg in such situations is impossible. The evil is not rooted in the bombing of apartment blocks, it is rooted in the causes that make separatist sentiments popular in Chechnia. The Chechens have preserved their archaic political culture; their society has a negative attitude toward social and economic modernization and liberalization; and on top of this, force in the Caucasus is regarded as a universal means of dealing with local and global problems. On the whole, the people in Chechnia do not approve of Russia's efforts to incorporate Chechnia.

⁴ See: A.G. Mikhailov, *Chechenskoe koleso. General FSB svidetel'stvoet*, Moscow, 2002; V. Stepanov, *Bitva za "Nord Ost"*, Moscow, 2003; M.P. Trebin, *Terrorism v XXI veke*, Minsk, 2003.

⁵ See: R. Falk, *Revolutionaries and Functionaries. The Dual Face of Terrorism*, E.P. Dutton, New York, 1988, p. XIV.

⁶ G.I. Mirsky, *op. cit.*

⁷ V.A. Koreniako, "Federal'nyy tsentr i chechenskiy krizis (nekotorye voenno-politicheskie i psikhologicheskie problemy)," *Sotsial'no-politicheskaia situatsia na Kavkaze: istoria, sovremennost, perspektivy*, Moscow, 2001, p. 61.

It is impossible to discuss the above in any detail within the scope of a single article. One thing is clear, though: separatism and political violence in Chechnia have deep-rooted historical and cultural reasons. So sending in federal forces will not cut down the number of terrorist acts; it will increase, which means that the wave of terrorist activity will rise even higher. This is the price of military control over the most troublesome region in the Russian Federation. It would have been much wiser to talk about a military operation as part of the general anti-separatist strategy. The term “counter-terrorist operation” forced the Russian Federation to vindicate itself and look like a country unable to control terrorism. This gives rise not only to the academic, but also to the applied task of clarifying the essence and nature of “Chechen terrorism” aimed at creating an adequate state policy in Chechnia and formulating an ideology of anti-separatist actions.

Chechen separatists have been using terrorism as a means of struggle with varying degrees of intensity: when the Russian army and other power structures scored victories over organized illegal armed units of separatists (Budennovsk, 1995), the separatists intensified their terrorist activity to minimize the effect of Russia’s victories. Terrorism was used as a means of attracting the world community’s attention to Chechnia’s problems and presenting Russia’s actions negatively. This explains why at the initial stages of the political struggle (1991-1994), terrorism was of secondary importance, which cannot justify other, no less destructive, forms of political struggle by the founders of independent Ichkeria.

The “First Ichkeria”: Terrorism as a Means of Secondary Importance

The social and political situation in Chechnia became aggravated in November 1990 when an Executive Committee elected by the Chechen National Congress (CNC) passed a decision on the republic’s state independence. In the summer of 1991, the CNC was transformed into the National Congress of the Chechen People (NCCP) under the leadership of Major-General of the Soviet Air Force Jokhar Dudaev (he retired in 1990). Early in September 1991, the NCCP leaders started carrying out their plan to separate Chechnia from Russia. During the storming of the Supreme Soviet of the Chechen-Ingush Autonomous Republic, the only legitimate body of republican power at the time, 40 deputies were mercilessly beaten up; Iury Kutsenko, chairman of the City Council of Grozny, was murdered. The political murder of a member of the “old regime” was a symbolic act. According to Akhmar Zavgaev, who saw the events of 6 September, 1991 with his own eyes, “Mayor of Grozny Iury Kutsenko was murdered. He was thrown out of a third-floor window. I think it was a trial balloon of sorts. They (the “Ichkerian revolutionaries.”—*S.M.*) wanted to see how the Russian leaders would react to the death of a man who was the mayor of Grozny and first secretary of the city C.P.S.U. committee. No reaction followed.”⁸ The NCCP activists also illegally detained the prosecutor-general of the Chechen-Ingush A.S.S.R. and kept him under arrest for a week because he branded their actions as unconstitutional.

On 5 October, 1991 NCCP armed fighters captured the building of the republican KGB and mortally wounded Lieutenant-Colonel N. Aiubov, who was on duty. In response to the resolution of the Presidium of the R.S.F.S.R. Supreme Soviet on the Political Situation in the Chechen-Ingush Republic dated 8 October, 1991, the NCCP announced mobilization of all males between the ages of 15 and 55 and described the document as interference in the internal affairs of the independent republic. On 27 October, 1991, “free elections” controlled by NCCP fighters were held. According to different sources, some 10 to 12 percent of the total number of voters came to the polls to elect the first president of the “independent Chechen Republic—Ichkeria.” On 2 November, 1991 General Dudaev, the newly elected president, is-

⁸ “‘Den banditizma, terrorizma i proizvola.’ 10 let nazad nachalas noveyshaia chechenskaia istoria,” *Kommersant-Daily*, 6 September, 2001.

sued a decree on Sovereignty of the Chechen Republic.⁹ With his decree No. 178 of 9 November, 1991, Boris Yeltsin introduced a state of emergency in the Chechen-Ingush A.S.S.R. On the same day, three Chechen terrorists armed with guns and hand grenades hijacked a Tu-154 aircraft with 171 passengers on board flying from Mineralnye Vody (in the Caucasus) to Ekaterinburg (in the Urals). On their demand, the aircraft landed in the Turkish capital of Ankara. This was the hijackers' way of protesting the state of emergency in Chechnia. The next day the passengers were sent to Ekaterinburg. It seems that at the first stage of the "Ichkerian revolution," the terrorist acts (murder of the mayor of Grozny and the hijacking) were more than mere acts of intimidation. They were the means of legitimizing the new "sovereign state" and forcing Moscow to make political concessions.

With his second decree, Dudaev called on all Muslims living in Moscow to turn the Russian capital into "a disaster zone for the sake of our common freedom from *kufir* (godlessness)."¹⁰ The document was designed to enlist support outside the republic. In December 1991, Dudaev issued a decree on the Right of the Citizens of the Chechen Republic to Buy and Possess Personal Fire Arms and on Limiting the Right to Carry Them, which essentially allowed the autochthonous ethnos to possess fire arms.¹¹ Beginning in February 1992, armed detachments of separatists launched regular attacks against the army units and Russian Interior Ministry units stationed close to the Chechen border.

Before they switched to active terror outside Chechnia in 1995-1996, the leaders of the self-proclaimed Chechen Republic of Ichkeria, which remained unrecognized by the international community, began exterminating the "non-titular" population, Russian speakers in the first place. This went on until December 1994 when the Russian federal forces entered the republic; this policy was resumed in 1996-1999, the second period of independence.

About 220,000 people left Chechnia (according to the last Soviet population census of 1989, there were 294,000 Russians living in the Chechen-Ingush A.S.S.R.). According to the Minister for Chechnia Stanislav Iliasov, there were 500 Russians living in Grozny (the figure for 19 April, 2001); about 8,000 lived in the Naurskaia District; and about 5,000 in the Shelkovskaia District. According to Konstantin Kosachev, deputy chairman of the RF State Duma committee for foreign affairs, 21,000 Russians were killed in Chechnia between 1991 and 1999, not counting those who perished in the hostilities. Over 100,000 houses and apartments belonging to the non-titular population were captured by the Chechens.¹²

During their "first independence," the Chechens started capturing transportation means outside the republic. This deserves special consideration. On 24 December, 1993, in Rostov-on-Don, four Chechens captured a bus and later a helicopter with hostages. The helicopter and an aircraft carrying the ransom money and members of the Russian power structures left for Mineralnye Vody. Three of the four Chechens were detained in Chechnia (at the village of Bacha-Iurt, 15 km away from the Daghestanian administrative border). On 26 May, 1994, in the village of Kinzhal (Stavropol Territory), four Chechens captured a bus with students and schoolteachers on board traveling from Vladikavkaz to Stavropol. On 27 May, they were disarmed in Chechnia (in the village of Bacha-Iurt). On the same day, in Ingushetia (close to the administrative border with North Ossetia), eight Georgian citizens (working on the Trans-Caucasian highway) were murdered. According to the law enforcement structures of Ingushetia, the terrorist act was accomplished in several minutes, which testified, they said, to the fact that "professional terrorists" were involved. On 28 June, 1994, three men (two Chechens and one Kumyk) captured a regular bus with 40 passengers on board going from Stavropol to Mozdok. On 29 June, the perpetrators were detained as a result of a successful operation in the village of Braguny (Gudermes District). On 29 July, 1994, four Chechens captured a regular bus with 40 people on board going from Piatigorsk to Sovetskiy and demanded a ransom of \$15 million. As soon as they arrived at the airport of Mineralnye Vody, the hostages were

⁹ A.V. Malashenko, D.V. Trenin, *Vremia Iuga. Rossiia v Chechnie. Chechnia v Rossii*, Moscow, 2002, p. 16.

¹⁰ *Sbornik ukazov prezidenta Chechenskoy Respubliki s noiabria 1991 po 30 iulia 1992 g.*, Grozny, 1992, p. 4.

¹¹ *Ibidem*.

¹² See: N.N. Velikaia, S.L. Dudarev, "Iz istorii russkogo naselenia Chechni," *Rossia na rubezhe tysiachelii: itogi i problemy razvitiia*, Armavir, 2000, pp. 71-86; "Stanislav Iliasov, 'V Groznom ostalos 500 russkikh,'" *Izvestia*, 19 April, 2001; K. Kosachev, "Chechenskaia dilemma. Svoe slovo dolzhen skazat prezident," *Nezavisimaia gazeta*, 3 April, 2001.

freed as a result of a special operation, in which four people were killed and 15 wounded; the four Chechens were arrested.¹³

It is impossible to give an unequivocal assessment of the above. On the one hand, the demands of those who captured the buses, airliners, and helicopters make it possible to classify these actions as banal hijacking. On the other, in 1993-1994 the hostage-taking was not spontaneous acts of individuals (as happened in March 1988 when the Ovechkins hijacked an airliner, or in December 1988 when Iakshians and his criminal group captured another airliner). The leaders of independent Ichkeria deliberately supported all criminal acts against Russia and in Russia. Jokhar Dudaev and his cronies not only sheltered Russian criminals and criminals from other CIS countries in Chechnia (according to the RF Interior Ministry, over 1,200 habitual criminals found refuge in Chechnia in the early 1990s), they also helped to liberate important Chechen criminals from Russian prisons and move them to Chechnia.¹⁴ It seems that the hijacking series of 1993-1994 can be regarded as part of the Ichkerian policies designed to turn Russia into a "disaster zone," they cannot be described as terrorist acts.

From this it follows that in 1991-1994 terrorism proper was not the separatists' main political instrument. Jokhar Dudaev and his closest circle used terror against alien ethnic groups and encouraged criminal activities in the Russian Federation in order "to get rid of kufr."

Terrorism— the Main Instrument of the Separatists

The separatists changed the nature of their operations in December 1994 when Russian armed forces and Interior Ministry units were sent to the republic. They started using terror and demanded that "the bloodshed be stopped." They appealed to Russian and international public opinion with a call "to stop the war by any means." Their ideologists pointed out that the Russian authorities left the indigenous population no other way of defending its political rights than armed struggle and terror.

In May 1995, Jokhar Dudaev announced that "the war would be moved to Russian cities;" on 14 June, 1995, a group of fighters under Shamil Basaev captured a hospital and several other buildings in Budennovsk (Stavropol Territory) taking 1,100 people hostage. It took five days to liberate them. The terrorist act, which cost 128 lives, turned out to be an effective military-political weapon: by that time the Russian forces had been fighting successfully in Chechnia, while Basaev's inroad tipped the balance. Moscow had to contact Dudaev and offered him a "zero option," under which both he and his pro-Russian opponents should resign.¹⁵

On 9 January, 1996, Chechen fighters under Salman Raduev entered the town of Kizliar in Dagestan and captured a maternity hospital and a town hospital with 2,000 people inside. The terrorist act claimed the lives of 24 local people, 13 hostages, and 35 military; 128 were wounded. However, 150 attackers were also killed and 30 taken prisoner. Those who survived escaped to Chechnia together with Raduev, their leader. This also urged Moscow to think about "peace talks"—both the Duma and the presidential administration agreed about this. In February 1996, the Duma deputies suggested that the captured separatists should be liberated and called on the RF president to set up a crisis-settlement commission. It was announced that the presidential administration had drawn up seven options of crisis settlement.

On 16 January, 1996, a group of pro-Chechen gunmen headed by a Turkish citizen, Mohammed Tocsan, hijacked the *Avrasya* ferry in the Black Sea port of Trabzon. There were ethnic Chechens in the

¹³ See: A.G. Mikhailov, op. cit., p. 188.

¹⁴ See: V.V. Marushchenko, *Severnii Kavkaz. Trudniy put k miru*, Moscow, 2001, p. 76.

¹⁵ See: A.V. Malashenko, D.V. Trenin, op. cit., pp. 21-23.

group which captured the ferry with 212 Russian citizens and shuttle traders from Sochi on board. The group demanded that the Russian troops be withdrawn from Chechnia and the hostilities stopped. Two days later they announced that they were prepared to give themselves up to the Turkish authorities; they did this. Several days after that the ferry arrived in Sochi. The terrorists were sentenced to long terms of imprisonment; the leader was sentenced to nine years in prison. Soon after that some of the members escaped; in 1999, Mohammed Tocsan was arrested once more at the Istanbul airport. He said that in the case of *Avrasya* he had been acting under Shamil Basaev's direct orders. There were rumors that the Turkish special services were also involved in organizing and carrying out this act of terror.

Obviously the separatists adjusted their tactics to the tactics and strategy the Russian Federation used in Chechnia. The separatists concentrated on terrorist acts and turned them into a powerful weapon of political information. On the one hand, in 1995-1996 these acts were used to demonstrate the impotence of Russia's special services and civilian administration; and on the other, they demonstrated to the world that "tiny Ichkeria" was fighting the "huge empire."

On 22 August, 1996, the Russian Federation and the Chechen Republic signed an agreement in Khasaviurt that recognized de facto Chechnia's independence. Ichkeria pledged itself to cease fire and defer from "all military operations, attacks, and special operations." This was not done.

“The Second Ichkeria”: External and Internal Terrorism

During the "second independent Ichkeria" (1996-1999), the separatists organized terrorist acts not only against Russia; the warlords who remained outside the official structures in post-Khasaviurt Chechnia started a war of terror against the second president, Aslan Maskhadov, and his officials. On 25 October, 1998, after repeated demands by the Ministry of Shari'a Security of Chechnia that hostage-taking be stopped, Sh. Bargishev, who headed the ministry's department of hostage prevention, was murdered. The next day, 26 October, there was an attempt on the life of Mufti Akhmad Kadyrov. On 14 January, 1999 and on 21 March, 1999, unsuccessful assassination attempts were made on Minister of Shari'a Security A. Arsaev and President Maskhadov, respectively.

Meanwhile, Russia remained the main target. On 23 April, 1997, Chechen fighters blew up a railway station in Armavir (Krasnodar Territory), killing three and wounding more than ten people. Several days later, on 28 April, there was a blast in the waiting room of a railway station in Piatigorsk (Stavropol Territory) that killed two and wounded 17. Two Chechen women, Ayset Dadasheva and Fatima Taymaskhanova, were sentenced to 16 and 13 years in prison. Salman Raduev assumed responsibility for both acts.

On 19 March, 1999, a powerful explosion took place at the Central Market of Vladikavkaz (67 killed and over 100 wounded). Four people were brought to court: one of them (Adam Tsurov) was sentenced to life imprisonment, two (Umar Khaniev and Makhmud Temirbiev) to 23 years in prison, and one (Abdul Khutiev) to ten years in prison.

On 4 September, 1999, in Buynaksk (the Republic of Dagestan) a five-story apartment block inhabited by officer families of the 136th brigade of the RF Defense Ministry was destroyed by an explosion that claimed 64 lives (146 more were wounded). After three months of court proceedings, the Republican Court sentenced Isa Zaynutdinov to life imprisonment. Other participants were sentenced to varying (from three to nine years) terms in prison. The RF Supreme Court supported the sentence.

On 9 September, 1999, an apartment block in Moscow (at 19, Gurianov St.) was blown up killing 90; several days later, on 13 September another apartment block in Moscow (at 9, Kashirskoe Shosse, Building 3) was blown up (120 people perished); and three days later, on 16 September, 1999, a nine-story apartment block in Volgodonsk was blown up taking the lives of 18 people; 85 were taken to hospital; all in all 310 people were either killed or wounded. In January 2004, the Moscow City Court sentenced 42-year-old Adam Dekkushev and 37-year-old Iusuf Krymshamkhalov to life imprisonment as

those responsible for the blasts in Moscow and Volgodonsk. In his last address, Iusuf Krymshamkhalov asked for forgiveness, while Adam Dekkushev admitted part of his guilt and said that from the very beginning he had been against killing people and suggested that a technical facility should be blown up instead.

The court hearings were closed to the public, yet the sentence was read at an open sitting. According to the investigators, two warlords, Khattab and Abu Umar, were behind these acts. The Russian authorities announced that there were nine people involved in the bombings, three of them, according to official information, were killed in Chechnia in a skirmish with the federal forces. Boris Berezovskiy, notorious Russian oligarch, now living in Britain, put the blame for the Moscow and Volgodonsk acts on the Russian special services. Alexander Prokhanov, one of the ideologists of the Communist Party of the Russian Federation and editor of the *Zavtra* newspaper, offered a similar version in his novel *Gospodin Geksogen*. In 2001, the Stavropol Territorial Court sentenced five people from Karachaevo-Cherkessia to various prison terms as members of illegal armed units (their direct involvement in the blasts was not proven).

The Counter-Terrorist Operation: Political Echoes of Terminological Vagueness

The bombings in Moscow and Volgodonsk and the invasion of Daghestan forced Russia to launch the so-called counter-terrorist operation. The number of terrorist acts, however, did not diminish—they became even more frequent, because the leaders of Russia and the RF special services had not formed a completely adequate idea about the phenomenon of terrorism. As a result there were certain miscalculations when political priorities regarding “peaceful settlement” in Chechnia were selected.

1. Deprived of their main armed forces routed by the federal troops and, thus, unable to openly resist the Russian armed forces and Russian Interior Ministry units, the separatists had no choice but to resort to terror. It was the military failures of the Arab states in their struggle against Israel that turned terrorism into a very popular political weapon. Obviously from the very beginning Moscow should have distinguished between counter-terrorist and military operations and recognized them as two fundamentally different operations. The Kremlin should have warned the public that a rise in the number of terrorist acts would be the inevitable price of military suppression of the separatists’ open resistance.
2. Terrorism is also encouraged by the absence of a single decision-making center regarding Chechnia and its governance. Power in the republic is divided among the regional administration, the power structures (the Defense Ministry, the Interior Ministry, and the Federal Security Service of Russia), the Ministry of Chechen Affairs (before the cabinet reorganization of spring 2004), and numerous federal agencies (after the spring 2004 reorganization). The democratic elections in Chechnia were premature (it would have been wiser to achieve at least partial political stability).

These miscalculations gave rise to an even greater number of terrorist acts and the active use (since late 2002) of suicide terrorists. Journalists are fond of calling them “shakhids” (martyrs), in the same way as Palestine terrorists. I am convinced that suicide terrorist is a more adequate term since the religious motivation of the Chechen terrorists is much vaguer than in the Middle East.

* * *

The Russian authorities and the public should acquire a much more adequate understanding of the phenomenon of “Chechen terrorism,” in order to formulate the best possible political strategy in Chechnia. All previous attempts at the turn of the 21st century to settle the Chechen question (the republic’s withdrawal and virtual declaration of independence in 1991-1994 and 1996-1999, the use of force in 1994-

1996, and the so-called counter-terrorist operation) created a difficult dilemma which the authorities find hard to accept: either Russia should establish military-political control over the republic by defeating the organized state and military structures of the separatists and stem the wave of terror (while going on with its anti-terrorist measures), or it should accept the fact that there is a “piratical” republic in the south of Russia. At first glance the second option looks easy and, therefore, attractive. In actual fact, it merely postpones the efforts designed to deal with the problem of terror. The political regime in the republic, which wants, above all else, to return to its golden age, can be described as a federation of warlords; its economy survives thanks to plunder. This political and economic regime can only survive in a politically unstable climate, which will spread to Russia’s southern fringes and further on to the north. The “wait-and-see” tactic is impossible: the political and economic challenge cannot be kept within fortified borders; in the same way, any talks with the leaders of the “Ichkerian revolution” are useless: they cannot be convinced to stop their inroads into the neighboring areas or to discontinue hostage taking and slave trade. Left to its own devices, the centrally situated republic will spread its terrorist practices to other Caucasian regions of the Russian Federation and draw them into ethnic conflicts and separatist experiments.

Forced to peace, the “mutinous republic” will produce even more terrorist acts as the only possible weapon left to the separatists. It was wrong to announce the counter-terrorist operation would end by a specific deadline; this inevitably discredited the correct policy of “bringing peace” to the rebel territory. “Chechen terrorism” is not an end in itself—it is a weapon. The Russian authorities today should, on the one hand, prepare the public for the inevitably high price of incorporating Chechnia into Russia. And on the other, the Federal Center should work toward readjusting the social foundations in Chechnia (to minimize informal ties and modernize the social structure), which, so far, are breeding extremism (and terrorism). Russia should work toward all-round incorporation of Chechnia into the Russian Federation through military, social, economic, and humanitarian projects. This, and not a counter-terrorist operation with deadlines fixed in advance, is the only hope of success.

REGIONAL CONFLICTS

DEFROSTING THE CONFLICT IN TSKHINVALI: IS THE “REVOLUTION OF ROSES” STILL GOING ON?

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On 23 November, 2003 we all witnessed unexpected political developments in Georgia, as a result of which the Shevardnadze regime, absolutely unable to cope with the crying social, economic, and political problems, was removed by a crowd driven to despair by a decade of stagnation. This challenge, which put an end to Ed-

uard Shevardnadze's long political career, is a Damocles Sword of sorts for the new Georgian cabinet and President Mikhail Saakashvili, whose charisma determined the outcome of the November events and kindled hopes for a better future. The new government received a huge credit of confidence which must be repaid.

Challenges

The new Georgian leaders strengthened their authority by bringing the crisis in Adjara to a successful end and deposing the clan of Abashidze, but, by the same token, inflating popular expectations. Aware that the long-festered problems, especially social and economic, take time to resolve, the government has to strive for instant (real or virtual) success to keep up the level of confidence and boost the cabinet's legitimacy. At the same time, Saakashvili and his government have to justify the efforts the West has been pouring into our state's future.

To preserve public confidence and ensure stability of the still developing system of power, Mikhail Saakashvili can score real or imaginary victories, which should be regarded as mere propaganda. In dealing with the West, he has to achieve real success in building the state: territorial integrity and restored jurisdiction over two breakaway regions (Abkhazia and the Tskhinvali Region) can be regarded as such.

This is a sort of “political order” from Georgian society, which supported the revolution and Saakashvili personally. This support was interpreted as a resolute rejection of Shevardnadze’s era associated mainly with defeats and the state’s inability to defend national interests. We can say that the nationalist feelings which accumulated while the country was sliding deeper into the political crisis brought Saakashvili to power; today they should be satisfied. The May 2004 events in Adjara showed that the future of the new regime depends very much on its ability to execute this “order.”¹

The new leaders have to demonstrate to their foreign partners and society that they are resolved to integrate into Western political structures, leave the Shevardnadze epoch behind, and strengthen Georgian statehood politically and economically. The country should fight and defeat corruption and smuggling, two intertwined evils hampering economic development and preventing political stability.

The efforts to stop smuggling laid bare the deep-rooted systemic crisis of the Shevardnadze period: illegal domestic markets are connected with the frozen conflicts in Abkhazia and the Tskhinvali Region; it is there that the flows of smuggled goods start (at the crossings on River Inguri in Abkhazia and the Ergneti market in the Tskhinvali Region). The money thus obtained is used to fund the separatist regimes, the corrupted officials of the Georgian power structures, local clans, and local administrations of the areas adjacent to the conflict zones. The military of the Russian peacekeeping forces have their share in illegal economic activities, which makes the situation worse: the fight against smuggling has acquired undertones of interstate relations.

The Saakashvili government, obviously, has to address several problems simultaneously: the urgent need for political and economic transformations inside the country; conflict settlement; and building essentially brand-new relations with Russia. At the same time, the political course in Georgia’s relations with the West should be continued.

The above raises several questions: Can any of these problems be successfully resolved separately from the others? Can domestic changes be accomplished if the conflicts remain unresolved? Can relations with Russia be successfully organized if the country aims at integrating into the Euroatlantic structures and if the domestic conflicts dominated by the Russian factor remain unresolved? The answers to these questions are negative. The above problems are interconnected and are closely related to the problem of Georgian statehood. This raises another question: What kind of state are we trying to build: a democratic or a quasi-democratic one? A sovereign or a quasi-sovereign one? Do we insist on the borders recognized in international agreements or are we prepared to accept the ones which actually exist? If we proceed from the desire to make Georgia a genuinely sovereign state able to protect the national interests of its citizens within the internationally recognized borders, we must deal with the above problems simultaneously.

Can Georgia do this? It can if the state opts for a peaceful road of sustainable development so that the country’s leaders can use their meager political resources to address these problems. How can we reach the peace badly needed for the state’s democratic development if there are still two ethno-regional conflicts smoldering on Georgian territory? What sort of peace does Georgia need? Can the country accept peace without the two former autonomies, or does it need peace within its internationally recognized borders?

In the former case, if Georgia accepts its sovereignty within the present (actual) borders and develops within them, it will achieve the peace badly needed for systemic domestic changes and for its further more or less smooth development. In the latter case, it will either have to hope for the peace it desires in the long-term perspective, or for achieving it in the short term by engaging in a new confrontation and facing new challenges at home and abroad.

In both cases the desired peace is not guaranteed. In the first case, if Tbilisi abandons its claims to Abkhazia and South Ossetia, a crisis of the still shaky political system will be inevitable. Indeed, the idea of a united Georgia is one of the pillars on which the system born from the revolution rests. This idea is

¹ In May 2004, when the situation in Adjara reached its peak, the non-parliamentary opposition to Saakashvili stepped up its activities in Tbilisi. Had the government failed to promptly defuse the situation, the ranks of the opponents of the revolution would have swelled with new members and antirevolutionary rallies could have taken place.

Saakashvili's mission, therefore the first alternative is absolutely unacceptable. The second alternative looks more probable: Georgia can either count on a long process of conflict settlement by gradually increasing the involvement of mediators² (international organizations or countries) to create peaceful conditions for domestic systemic changes, or resolve to use force to ensure the stability of its political and economic expansion needed to start reforms.³

The events going on since the end of May in South Ossetia show that the Georgian leaders prefer to use force. Is this true?

Why “the Republic of South Ossetia?”

In his inauguration speech delivered in the Gelati monastery Saakashvili promised to restore Georgia's territorial integrity; he confirmed his promise in May 2004 when he successfully coped with the Adjarian crisis. Georgia waited with bated breath for more victorious “inroads” by the young president. All were convinced that Sukhumi's turn had come: defeat in the war with Abkhazia in the first half of the 1990s is still causing pain in the Georgian political establishment; it is regarded as a birth injury of Georgian statehood. Sure enough, Tskhinvali was never forgotten, but the economic damage and moral wound inflicted by the loss of Abkhazia were much more painful.

On 4 June, 2004, the Georgian government sent humanitarian aid (mineral fertilizers) to the people in the conflict zone. Contrary to logic, the aid was sent not to the west of the country but to the heart of it, to Shida Kartli (South Ossetia). Just one month after the events in Adjaria, the nation seems caught in a feeling of *déjà vu*. The central government insisted that the local people should accept the gift from the president, while the leaders of the autonomy rejected it. This brought to mind the scene on the River Choloki (the administrative border of the Autonomous Republic of Adjaria).

The problem is not limited to re-integration of South Ossetia into Georgia. This all started with anti-smuggling efforts. On 31 May, 2004, the Georgian government dispatched a unit of the Ministry of the Interior to the Tskhinvali Region to stop smuggling. The Ergneti market, from which smuggled goods were distributed across the country, was closed.

Why then were anti-smuggling efforts launched in South Ossetia and not in Abkhazia? Cigarettes, petroleum products, flour, and even drugs and weapons are smuggled in large quantities across the Inguri River. South Ossetia was selected for the following reasons: ethnic tension between the Georgians and Ossets in South Ossetia was much lower than in Abkhazia; during the conflict of 1990-1992 the Tskhinvali Region did not experience large-scale ethnic cleansing of the Georgian population as happened in Abkhazia; the ethnic balance between the Ossets and Georgians in South Ossetia remained the same, while the confidence level rose.

This explains why the republican leaders started fighting smuggling in this region. They were convinced that this would not cause a violent reaction among the local people, something that could be expected in Abkhazia. Clearly, Saakashvili and his circles tried to repeat the Adjarian alternative. For several reasons, the anti-smuggling efforts could not be detached from the other problems described above: the Tskhinvali Region through which smuggled goods travel inland is a conflict zone; despite the high level of mutual confidence between the two main ethnic groups, the memory of their confrontation twelve years ago still lingers, so everything the central government planned could be interpreted as pressure on the Ossets and cause another upsurge of mutual mistrust; smuggling is supported by local clans, the South

² The U.N. is working in Abkhazia, while the OSCE is involved in South Ossetia. When talking about broader involvement, I not only mean a larger number of countries or organizations involved, but also wider missions and mandates of those present.

³ A certain part of the Georgian political elite favors the second option; it remains to be seen, however, whether Georgia has enough forces to establish peace and stability in case of military intervention in the mutinous regions and, more important still, whether it will be able to prevent destabilization of other regions.

Ossetian authorities, high ranking military among the Russian and North Ossetian peacekeepers, as well as Georgian clans connected with the local authorities; the peacekeepers are present in the conflict zone on the strength of international documents; and Georgia is limited in its actions by certain international agreements (the Dagomys agreements of 24 July, 1992), therefore any initiative uncoordinated with the Mixed Control Commission made up of Russian, Georgian, and North and South Ossetian representatives violates these agreements.

Because of the above, the counter-smuggling efforts had been transferred to another sphere: restoration of the country's territorial integrity. The Georgian government failed to prevent its counter-smuggling efforts from developing into another confrontation with the separatist sentiments. Was it a conscious choice? It is hard to give a straight answer. One thing is clear, though: the events in Vanati (a village in South Ossetia), when Ossetian armed groups took 50 Georgian policemen prisoner, came as an unpleasant surprise for the president, who was then on a visit to Iran (on 7-9 July, 2004). The statements that came from Minister of State Security Vano Merabishvili and First Foreign Minister Deputy Giorgy Gomiashvili showed that these were unexpected complications. The Georgian side undertook several humanitarian actions to confirm its peaceful intentions and show the Ossetian side that the struggle with smuggling, which affects the interests of the clan of Kokoity (head of South Ossetia), was not aimed against the Ossets. For example, Sandra Rulovs, President Saakashvili's wife, visited the region, where she planned to meet children in Georgian and Ossetian villages; children were sent to vacation in Chakvi on the Black Sea coast; and flour and other foodstuffs were regularly delivered to the villages in the conflict zone. The response from the separatist authorities was unexpected: the president's wife was accused of causing more tension; Alik Kozaev, who organized the seaside camps for children from the conflict zone, was arrested; and the response to the humanitarian aid delivered in the name of the Georgian president, as well as to the visits by a children's football team and dance group from Tbilisi, etc. was negative.

The Georgian leaders were obviously mistaken when they decided to repeat the Adjarian scenario in South Ossetia. They naturally did not want to reduce to naught the progress already attained in Georgian-Ossetian relations, that is, mutual confidence and acceptance of coexistence. The government was also mistaken when it expected to isolate the clans involved in smuggling from the rest of society and to see the people of Tskhinvali rise against their leaders as happened in Batumi. There is a great difference between South Ossetia and Adjaria, which central power failed to detect. The leaders of Adjaria never wanted to separate the republic from Georgia; there was no war there to divide the local people; in Adjaria central power was never bound by international agreements⁴; and the status of the Russian military units deployed in Adjaria did not allow them to interfere in the relations between the central authorities and the local powers.⁵

Due to the fact that Tbilisi's tactics in South Ossetia brought to mind the tactics it used in May in Adjaria, the media, some politicians, and experts⁶ started talking about the export of revolution to the breakaway regions. But while in Adjaria export of the "revolution of roses" was successful and the means and methods chosen correctly, in Tskhinvali, the government should have treaded cautiously and opted for different methods. The "export of revolution" obviously failed (due to the above factors). The Georgian government will probably have to try and reintegrate the separatist regions openly.

War or Peace?

On the Choloki River in Adjaria it was Abashidze's troops made up of armed mercenaries that tried to repel the revolution. The notorious rapid deployment unit trained by retired Russian General Netkachev

⁴ Although Abashidze and certain Moscow politicians tried to evoke the Kars Agreement of 1921.

⁵ We should not exclude the possibility of Russia's interference, but this could only have happened on the basis of Abashidze's informal contacts with members of the Russian political and military elite. In South Ossetia the local regime has informal support because of smuggling; at the same time, there is also formal support, in the form of the peacekeeping forces mandate.

⁶ This is especially true of the media, politicians and analysts in Russia.

and the 25th Batumi Brigade of the Georgian Defense Ministry under General Dumbadze scattered as soon as they saw the enemy. The Abashidze regime collapsed while its supporters deserted the leader one by one and in groups. There was an impression in Georgia that the Adjarian events caused Kokoity to mistrust his immediate circle. The president of the self-proclaimed republic disbanded his guard in an effort to ensure personal protection. This does not mean that the events in Tskhinvali will follow the Batumi scenario and that the president will be left alone to face the Tbilisi revolutionaries. First, memories of the 1990-1992 war are feeding nationalism; second, the majority of the local population is tied to Russia economically and by its Russian citizenship, which pulls the Ossets even further away from Georgia. Third, there are Russian military deployed in the region under the international agreements,⁷ which encourages separatism to a certain extent.

The above suggests a question: How many troops can Kokoity gather under his banner? According to independent expert Irakli Aladashvili,⁸ on the eve of the counter-smuggling operation, the regime commanded the following structures: the Ministry of Defense and Emergencies (about 1,000 people); the Ministry of the Interior (1,100 people plus the Riot Police); the State Security Committee; and the Migration Control Service (the two latter structures have armed units of their own). Kokoity also had 17 T-55 and T-72 tanks under his command; about 80 armored vehicles (BMP-1; BMP-2; BTR-70; BTDM-2); 5 self-propelled assault guns Gvozdika; 3 multiple-launch rocket systems BM-21 Grad; 4 D-44 guns; an automatic anti-aircraft gun ZU-23-2; several 82-mm mortars, and about 5,000 units of automatic fire-arms. As soon as the tension mounted, more materiel and arms started pouring into the region through the Roki Tunnel from Russia (from North Ossetia).

There is information that in the last month Kokoity received about 10 tanks, a large amount of ammunition; and several units of portable Strela-2M and Igla anti-aircraft missile systems. Gvozdika self-propelled assault guns with a maximum range of 15 km, and Grad multiple-launch rocket systems with a maximum range of 21 km are the most serious weapons at the separatists' command. Even though they cannot reach the city of Gori, the largest Georgian settlement closest to the conflict zone, they can reach targets far beyond the zone. We should not forget that if it comes down to fighting, the Russian, and North Ossetian, peacekeepers will defend the Tskhinvali regime. The North Ossetian peacekeeping battalion Alania has already received 18 new BTR-70 armored personnel carriers and 22 BMP-2 infantry fighting vehicles to replace the old ones. The Russian battalion is armed with 38 BMP-1 infantry fighting vehicles and 6 armored vehicles. The Georgian battalion has 15 armored vehicles, so it is easy to guess who will have all the advantages if hostilities flare up.

Georgia's obvious military disadvantage puts war out of the question. The tension, though, is high and Tbilisi should shoulder part of the blame for this. Exchanges of fire, which are not infrequent in Tskhinvali and the adjacent villages, have already caused losses.

On many occasions President Saakashvili repeated that he wanted to resolve the conflict peacefully, yet all his steps designed to normalize the situation and fight smuggling came up against Kokoity's refusal to engage in any form of cooperation and Russia's consistent rejection of all Georgian initiatives. The Mixed Control Commission headed by Russian General Nabzdorov (obviously supported by the Russian military command) and the official political circles in Moscow refuse to accept the changes that have occurred in the situation during the past 12 years. They interpret the anti-smuggling efforts as economic pressure on South Ossetia, which violated the Dagomys Agreements, and all attempts at stemming the contraband of weapons and the flows of North Caucasian mercenaries as violations of the MCC's proto-

⁷ There are the following documents: an agreement "On the Principles of Settlement of the Georgian-Ossetian Conflict" signed by Yeltsin and Shevardnadze in June 1992; an agreement "On Further Development of Peaceful Settlement of the Georgian-Ossetian Conflict and Setting up a Mixed Control Commission" and the regulations "On Mixed Control Commission"; an agreement "Decision of the Mixed Control Commission on the Peacekeeping Forces" of 6 December, 1994; regulations "On the Basic Principles of Activity of the Military Contingents and Military Observers" and appendices "On Peaceful Settlement in the Zone of the Georgian-Ossetian Conflict and the Rights and Obligations of the Commander of the Mixed Forces."

⁸ [www.pankisi.info].

col of 2 July, 2004.⁹ The Georgian side's suggestion that the commission's responsibility zone and the zone of OSCE monitoring should be extended and that the Roki Tunnel should be jointly controlled was rejected.

This shows that Moscow's position and the documents that define Georgia's actions in the confrontation zone are the main obstacles on the road toward settlement. President Saakashvili repeatedly accused the Russian Federation of complicity with the separatists.

Georgia would have been more moderate in its accusation had it not had its foreign partners' support. (Here I have in mind not the Western governments, but the experts working on fresh assessments of Russia's role in the conflict.) In his paper "The Crisis in South Ossetia: A Test of Russia's Conduct," Vladimir Socor of the Jamestown Foundation has pointed out: "Russian troops in South Ossetia are not peacekeepers... These troops have all along served Moscow's policy of cementing South Ossetia's secession... Russia's official role as mediator is a misnomer; in fact, Russia is a participant in the conflict, with an interest of exploiting it, not solving it."¹⁰

This raises a question: Which of the sides—the Kokoity regime or Russia—should the Georgian leaders regard as a party to the conflict? President Saakashvili has hinted that in the case of South Ossetia, it is for Russia and Georgia to sort things out with the help of Western partners and international organizations. There is the danger of this squabbling developing into another armed conflict, even in the presence of neutral mediators. We do not know whether the trust between the Georgian and Osset communities still holds and whether the Georgian government will manage to preserve it (if this trust still exists).

The Future of the "Revolution of Roses"

A child of the November revolution, the nation-building policy has been subjected to a severe test. Saakashvili's government has to select one of two options: either carry out systemic reforms (revolution in-depth) or yield to the temptation to promptly resolve the territorial integrity issue under the pressure of populist feelings. It is hard to separate one problem from the other. It is impossible to change the state without a legally identifiable expanse in which these reforms should take place. It is equally impossible to develop statehood and move closer to the world community (by which I mean integration into the Euroatlantic structures) without settling relations with Russia, the main obstacles being the frozen conflicts in Abkhazia and South Ossetia. At the same time, the attempts of the Georgian government to develop the revolution in-depth and to extend it (to establish control over its economic expanse, in particular) have defrosted the South Ossetian conflict and brought the situation to the brink of armed confrontation.

Deprived of Western support and left alone to face Russia, Georgia will have to either accept the status quo, fight an unequal battle, or capitulate and drop the dreams born from the "revolution of roses". In the latter case, Saakashvili will only preserve the chance of consolidating his power and the power of his group to oppose domestic crises and the revival of Shevardnadze's system. If Georgia and its Western partners manage to influence Russia and prevent the defrosted conflicts from developing into new wars, the revolution will have a chance of going in-depth and spreading gradually without upheavals, ultimately reaching the goals for which it began.

⁹ This is especially true of the fact when the Georgian side discovered and confiscated unguided rockets brought in allegedly for the helicopter peacekeeping unit (not deployed in the conflict zone).

¹⁰ 14 July, 2004, Washington; the full text can be found at [http://www.jamestown.org/images/pdf/policy_recs-072104.pdf].

THE REAL AND IMAGINED ABOUT THE CONFLICT IN CHECHNIA

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Nearly all discussions about the military confrontation between Russia and Chechnia boil down to the questions: Who is more to blame for the war, and who needs it now? To prove their point, the sides exploit not only real, but also invented arguments.

Who is To Blame?

On the eve of the first military campaign, well-known political scientist A. Avtorkhanov tried to convince President of Chechnia Jokhar Dudaev that confrontation with Russia should be avoided, and described, in so many words, the catastrophe it would bring the Chechens.

The names of those who started the fight (both in Russia and in Chechnia) are well known; much is known about them. Their surprising political “achievements” can hardly be explained by their strong intellectual powers or other commendable personal features. In Chechnia, nearly all of them, with the exception of Dudaev, were regarded as not very likeable characters. Later, Chechens tended to think that the majority of the new leaders served the Russian special services. But all the same...

The influence of foreign political and economic participants is less perceptible, yet it can still be felt. The majority of the republic’s population, and the majority of the polled, believe that it was the Russian leaders who played the decisive role in these processes and who proved unable to avoid the grave consequences for both sides in the conflict. It was Akhmad Kadyrov who, when talking in the Svoboda slova (Freedom of Speech) program (the NTV channel) on 20 February, 2004, accused the Kremlin of the tragedy. To tell the truth, those of the Chechens who sided with the Federal Center find it hard to agree with this; Kadyrov’s words came as a complete surprise.

At the same time, even though various political forces are suspected, even though there are doubts about the degree of their guilt, and even though people are convinced of the aims Russia is pursuing in Chechnia, many of the Chechens are accusing the Chechens themselves of the tragic events. It is hardly possible to correctly identify the true nature of the events and the role various forces play in them without a scholarly analysis of the sociopolitical and ethnic processes unfolding on the eve of the invasion and without special studies of what the sides in the conflict (especially the Russian troops and special services) were doing.

Is Ethnic Mentality a Conflict Factor?

Among the factors that finally led to the armed conflict, the Chechen’s mentality, namely their craving for freedom, which the nation has preserved despite the many years of oppression, played a special

role. At no time were the Chechens an equal part of Russia's social structure: ethnic confrontation between the Russians and the Chechens has been going on since Russia came to the Caucasus. During different periods, this confrontation assumed different forms; for a long time it was smoldering, though the contradictions did not disappear. This was the reason for the new military conflict. Even when the Soviet Union disintegrated to liberate many nationalities, the ethnic problems in "new" Russia did not lose their urgency. Russia is still a multinational power, while the situation of the many ethnic groups which belong to it is far from ideal. For a long time, dozens of peoples and nationalities (some of them had joined Russia by force, others on their own free will) remained oppressed. The situation of the main nation, the Russians, who comprise the huge majority of the country's population, cannot be described as privileged either. It is not for nothing that in the past the country was called "a prison of nations."

Today, ethnic problems remain topical: they feed bitter disputes, ignite conflicts, and are used as arguments in seizing power and conscripting allies. This theoretical postulate of Leninism was skillfully exploited by the sides involved in the Chechen events and, regrettably, turned out to be highly tenacious. Contrary to the declared aims, it caused suffering, material losses, and worsened the situation of the freedom-loving nation. In this respect this postulate proved to be truly Leninist. I am convinced that no other civilized nation lives in such appalling conditions.

An Illusion of Welfare: From the Past to the Future?

Recently, the Russian media seem to have lost interest in the Chechen issue. After the so-called referendum on the constitution, the so-called presidential elections in Chechnia, and several other noisy propaganda campaigns, there were attempts to create the illusion that today the main problems have been resolved and the rest will be resolved tomorrow. The numerous virtual victories over the grave problems cannot diminish their number; these victories do not signify that there are serious efforts to improve the situation of people still living in unbearable conditions. It is social and political causes, rather than purely ethnic problems (still in evidence), which accumulate negative social-ethnic energy. This happened in the past; this is what is going on today. During many centuries of its existence within the Russian Empire (first as subjects of the czars, then as Soviet and Russian citizens), there was no more or less protracted period when the Chechens could look at themselves as real and equal citizens of the always-unfriendly state. An analysis of their place in the former Chechen-Ingush Autonomous Republic (CIAR) in the post-repression period until the Soviet Union's disintegration—the most favorable in the entire history of coexistence between the Chechens and Russians on the labor market, and in education and culture—has proved that the current social-political cataclysms were preprogrammed and objectively inevitable.

Some of the authors use fairly reliable statistical information which says that in their own republic the Chechens were not equal, to say nothing of the purely Russian regions.

Indeed, in 1956, having recognized that the massive repressions against the Chechens were unjust and having allowed them to return to their homeland, the authorities never compensated the moral and material damage; more than that, the Chechens never got back their houses and had to buy them from those who had settled in them after the deportation. Despite the obviously unjust treatment, the Chechens were never given the chance to rehabilitate and reintegrate into society. The authorities deliberately prevented this integration. To illustrate: the Chechens who comprised 53 percent of the republic's population had limited access to higher education, lagging behind not only Russians, but also other ethnic groups. In the 1959/60 academic year, there were 5,555 students in the CIAR, 4,002 of whom were Russians (the share of Russians in the republic's population was 29.1 percent); 483 were Chechens; and 807 students belonged to "other nations" (this group did not include the peoples of Daghestan, who were counted separately).

Later the situation somewhat improved: in the 1976/77 academic year, there were 6,425 Russians among the students (their total number being 11,735) and 3,057 Chechens. Discrimination of the autoch-

thonous ethnoses in this and many other spheres that determined the standard of living and social conditions went on until the Soviet Union's last day. Chechens were deliberately kept away from the key economic branches (oil production and refining); by the late 1980s, few Chechens were employed at the Krasny Molot, Elektropribor, and other plants with attractive working conditions and higher wages.

This policy was also reflected in the national composition of the republic's capital. According to the 1989 All-Union Census, only about 75,000 out of the total 450,000-strong population of Grozny were Chechens. This inequality created numerous marginal, politically unstable, and radical elements, nearly all of them concentrated in the countryside. It is hard to say how large this group was; yet those who study this problem say that in the 1960-1970s between 250,000 and 300,000 people left the republic for other Russian regions and Kazakhstan in search of seasonal employment. Taking into account that, according to the 1979 census, there were 755,000 Chechens in the republic, the figure of seasonal workers is eloquent enough. In fact, every year more and more people joined this group, while the local people were deliberately kept away from those economic branches that required special knowledge and where wages, for this reason, were higher. This was the doing of the regional C.P.S.U. party committee, which was headed by Russians and members of other non-autochthonous ethnic groups until 1989. Members of the small Chechen intelligentsia, especially university lecturers, had personal experience of this discrimination, which lasted until the late 1980s.

It is wrong to count all seasonal workers among the socially marginal groups, yet it was this social stratum that pushed a considerable number of socially unstable elements onto the political scene. After becoming the driving force behind these events, they introduced a great deal of chaos typical of the marginal groups, thus disorganizing society. The rhetoric of the Chechen leaders was designed to fan the "revolutionary" enthusiasm of these population groups. It should be said that the "highly placed" people from Moscow who frequented the republic at that time encouraged the radical leaders. Here is what Genady Burbulis, a man close to Boris Yeltsin, said at one of his meetings with the leaders of the United Congress of the Chechen People in the fall of 1991: "The Moscow democratic media will help you in your noble cause. When dealing with the Russian authorities you should be firm—reject any compromises. You should only accept a compromise with the Center that will give your republic complete freedom and complete independence from Moscow." There were no social forces in Chechen society which could channel events along a peaceful and evolutionary route. The recent events have demonstrated that the rulers of new, "democratic" Russia did not want this either.

The amorphous and politically immature Chechen intelligentsia had practically no influence at that time (if any, such influence was most likely negative) and has practically no influence today. Some of its members trailed behind the events, while their provocative (and far from disinterested) statements in the media pushed the already belligerent Kremlin to use force.

None of the more or less well-known members of the Chechen intellectual group offered their ideas and programs for the republic's democratic development (either independent or within the Russian state) very much needed at that time. It should be added that the repression of the Chechens, which continued throughout the 20th century, deprived the nation of any chance of raising an intellectual elite of its own. The illusion that there was an elite able to guide the nation proved as unfounded as the myth that Chechnia had become an inalienable and equal part of Russia.

Objective Prerequisites or Subjective Provocations?

While discussing the motives and objective causes of these most complex ethno-social processes typical not only of Chechnia, the Caucasus, and Russia, it should be said that the prerequisites (both objective and subjective) did not lead to social upheavals in every case. In the Chechen Republic, a social upheaval could also be avoided. Lenin, a past master of social cataclysms, said in his time that favorable

external conditions were needed to realize the revolutionary party's plans. In the case of Chechnia, these conditions completely depended on what Russian power was prepared to do.

A new (integral) approach to the Russian-Chechen war suggests the very sad thought (hardly provable, so far) that the revolution and the hostilities that followed it were provoked deliberately. With time, we shall probably acquire the evidence we need. As the eyewitnesses of and unwilling participants in these events, we are convinced that the policy of the Russian authorities, the generals, and the media (their actions and their inaction) played a decisive role in radicalizing the crisis at the very beginning and in its development into a war. Over time, this conviction grows stronger.

It was long before the tragic events, at the crest of perestroika, that the Soviet (later Russian) press and TV offered the public obviously anti-Chechen propaganda. Chechens were accused of crimes that had never been confirmed by Russian (far from fair) courts. Numerous financial and criminal offences ascribed to Chechens were never proved in court even several years later. So far, no proof of Chechens being involved in these crimes has been found.

The stream of anti-Chechen pronouncements by representatives of Russian power (the President included) clearly shows that the process was guided by a certain center. Some time later, former Minister of National Relations of Russia, now Director of the Institute of Ethnology and Anthropology, RAS, V. Tishkov wrote quite openly that "there is racism supported by the authorities." Chechens are not the only ethnic group confronted with racism by the authorities in city streets.

Even though the Chechens are not entirely happy in Russia, there are no grounds to speak of their genetic predisposition to banditry, or their ethnic and cultural incompatibility with Russians and other ethnic groups with whom they have been living side by side for a long time. Most Chechens speak Russian, one of the important elements of Russian culture, as well as the Russians themselves. The same can be said of other spheres of spiritual culture, as well as the entire social structure of Russian society.

Chechens demonstrated tolerance and respect in their relations with other ethnic groups, smaller than the Russian. In fact, any Chechen enjoyed great respect among his friends and neighbors if he had friends among Avars, Georgians, or Kabardins. This is confirmed by the heroic folk songs, traditions, and the custom, which is still alive, to give a long-awaited child a name that sounds like the name of a nation: Arbi (an Arab); Gurzhi (a Georgian), Gumki (a Kumyk), Gebert (a Kabardin), Girman (a German). In the past the name Japon was quite popular among the Chechens.

While analyzing the influence of domestic actors on the republican processes that started in the 1990s, we can use only traditional examples. So far, if we are resolved to remain objective researchers, there is nothing to motivate a positive assessment of Russia's policies and actions. At the same time, the resistance forces that want, if their statements can be trusted, self-determination have been contradictory and clumsy. This raises the suspicion that they do not have the interests of the Chechens close at heart.

The Myths and the Aims: Which One will be Achieved?

Before the first war started, Dudaev and his government scored no high points in democratizing the republic (and made no serious attempts to achieve democracy). For this reason, his power had no firm social support and remained in place only because of Russia's short-sighted policy (the military action it started increased the number of those who supported Dudaev).

While an outside observer may think Russia's actions were meaningless and chaotic, they were absolutely rational in reaching the desired aim. At all times Chechens were regarded as a hostile force in Russia; by the time the Soviet Union collapsed, the Chechens had largely overcome the results of the massive repressions and found their place in the country. The nation had produced prominent politicians, academics, and journalists; there were considerable achievements in business, too. The Russian state became apprehensive of the role the Chechen communities were playing in the economy and politics of the Rostov Region, and the Krasnodar and Stavropol territories.

When attending meetings of university lecturers and students at Moscow and St. Petersburg universities, I personally heard my Russian colleagues holding forth about the Chechen expansion and the need to stem it. It was this, rather than separatism, that started the war. From its very first day, the war was waged to deal the heaviest possible blows at the enemy. Separatism was spoken of in order to justify this cruelty. If events continue unfolding according to the Federal Center's scenario, Russian society will hardly be aware of the Chechen influence for the next 20 to 30 years. (This was about the same amount of time the Chechens needed to revive after returning from exile.)

Separatism has never been as acute as it is now: the Chechens are impoverished and humiliated, and the scope of social, economic, and political catastrophe is huge. Even if Russia decides, all of a sudden, to help the republic, it will not be able to do this because of the enormity of its own problems.

Foreign influence in the republic is less noticeable; it can be discussed in the context of failed hopes. My own experience and analysis of numerous public speeches and meetings with a large number of the resistance leaders convinced me that these actors believed that the international community would not allow Russia to inflict great damage on Chechnia. They expected the international mechanisms to force Russia to adhere to the norms of international law if the worst came to the worst and a war began. Jokhar Dudaev, who had served in the Baltic republics, was guided by their experience. The nation paid dearly for these widespread illusions and other errors. One of the respondents said: "It all ended with humanitarian flour and foodstuffs of inferior quality bought from Russia for exorbitant prices."

The expectations of any nation deprived of freedom for a long time are shaped, to a great extent, by myths and eschatology, which are shaped, in turn, by external factors. I cannot go into details here for want of space; I can say, however, that from the early 1990s on, most of the events closely followed the myths that said Russia would be replaced with "Ingals pachkhalk" (the English state) and that there would be unheard-of freedom. Many are still waiting.

In this context, the role of the foreign factor can be described as considerable. Even though the world community, on the whole, remained indifferent to the Chechen tragedy, Russia obviously had to look at the West and offer clumsy explanations. It can safely be said that without this many more civilians would have died in the republic and the losses among the Chechens living in other Russian regions would have been greater. (During certain periods of the war, the local authorities created unbearable conditions for them.) Their homes were searched, they were arrested; the militia planted drugs and weapons on them. According to eyewitness accounts, during the terrorist act in a Moscow theater in October 2002 over 3,000 Chechens (including women and old people) were detained in Moscow; nearly all the apartments in which they lived were searched in a very rude way.

Part of the republic's population still hopes that the conflict will be resolved by political means and pins its hopes on "Western democracy," on the international community that has helped to resolve conflicts in many hot spots, and on its declared devotion to fundamental values.

State or "Humanitarian" Economy?

During the military campaigns, especially during the second anti-Chechen war, the domestic and foreign economic actors played opposite roles. International humanitarian organizations saved hundreds of thousands of civilians from starvation, while other actors pursued absolutely different aims.

It is very hard to establish the true volumes of humanitarian aid to Chechnia. My personal experience says that it not only saved the nation from starvation, but also, after the first stage of the war, helped to revive education and health protection. Nearly all the schools and hospitals functioning in 2003 owed this to humanitarian organizations.

In one of his public speeches, Head of the RF Building Committee Nikolai Koshman said that his organization had restored over 400 schools in the republic. To put it mildly, this does not correspond to the facts. There were this many schools functioning in Chechnia before the first war. Through the efforts of the Federal Center, few of them survived. By the time Koshman delivered his speech, none of the ru-

ined schools had been restored on federal budget money. In Grozny, the humanitarian organizations restored several schools. One of them, No. 7, restored by the Czech Humanitarian Organization, always features in TV reports.

There are real and potential forces involved in the republican economic processes. One of them, Russia (known as the Federal Center in Chechnia), formally responsible for everything that is going on in the republic and in control of the key natural resources, should take responsibility for restoring the national economy it ruined itself. Neither the past nor the present, though, give any hopes or breed any optimistic expectations.

The Chechens themselves can make a potentially great contribution to the process; there are fairly rich and active people among them who, given a chance, could address certain problems. In the current social and political situation when, even by Russia's standards, there is no efficient juridical system in the republic, their potential will remain unrealized: today, not only property the numerous law enforcement structures may notice, but even new trousers are a risk factor.

Today, the most noticeable economic actors are the groups of women sweeping the streets amid ruined houses and wasteland. There is more evidence of restoration activities: construction sites where "high technology" is represented by a bucket on a string for hauling what is needed to the upper floors. These scenes and the local people's uncharacteristic passivity in rebuilding their houses testify that, quite naturally, they are very doubtful about the political prospects.

ENERGY RESOURCES AND ENERGY POLICY

PROSPECTS OF CASPIAN GAS AND ITS POTENTIAL MARKETS

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The Caspian region's natural resources have been a controversial and hotly debated topic for a long time. Some have considered the region as an alternative to the Middle East, while others have preferred to simply ignore it altogether. Indeed, the region's proven oil reserves are far smaller than that of the Middle East. Nevertheless, the importance of the Caspian Basin as another source of oil and gas supply and its strategic location come into play in keeping the region indispensable for the West.

Since the Caspian states have opened their doors to foreign investors, most of the latter's capital has gone to regions' oil sector, while its gas sector has largely remained untouched. Caspian natural gas, which has not been seriously looked into until now, has far greater advantages in comparison with its oil. The U.S. Energy Information Administration (EIA) estimates the region's proven gas reserves in Azerbaijan, Kazakhstan, Uzbekistan and Turkmenistan as much as 232 trillion cubic feet (tcf), compared to those in Saudi Ara-

bia, which is the world's number four in proven natural gas reserves. Today, these four states produce roughly 4.5 tcf, and expect to reach a level of 8.7 tcf by 2010, which will be roughly 8% of the world's projected total consumption of natural gas in 2010.

According to a recent annual report of the International Energy Agency (IEA), in the next two decades, consumption of natural gas will continue to expand, especially in the area of energy generation. Most of the increase in energy demand will come from developing countries of Asia such as China and India. The geographical proximity of the Caspian Basin to the developing nations of Asia will be crucial in defining their energy policies toward the region. China, India and Japan are currently examining several alternative projects for procuring energy from the Middle East and the Caspian region to their domestic markets. Both Chinese and Japanese energy firms have been very active in acquiring interests in exploration and production of the Caspian oil and gas.

On the western shore of the Caspian Sea, Azerbaijan was seen as a potential hub for the Turkish and South European gas markets. It has already succeeded in negotiating two major oil and gas pipeline projects to Turkey. Turkey for its part is hoping to become a transfer corridor for gas supplies to Europe. It has already signed several agreements with Greece on sale of natural gas to this country and further to Europe. In addition to a gas pipeline from Azerbaijan, Turkey is also planning to import gas from Turkmenistan through a possible Trans-Caspian pipeline.

The demand for natural gas in the world is rising and is expected to double in the next two decades. Caspian natural gas, though yet to gain access to world markets, can potentially become an alternative energy source for countries and regions like Europe, China, Japan, Turkey, Pakistan and India, which are striving to diversify their energy supplies. Succeeding in this, however, will require

building long distance pipelines as well as attracting enormous capital and foreign investment. The newly independent states of the Caucasus and Central Asia are economically weak and their potential to invest billions of dollars to their energy sectors does not seem imminent. Thus, the main priority for the governments of the Caspian states would be to create markets with a stable political environment fit for foreign investment.

This paper proposes to explore potentials of Caspian gas and to look at possible markets for its sale. On the supply side three countries—Azerbaijan, Kazakhstan, and Turkmenistan—will be analyzed. On the demand side eastern, southern—China, India, Pakistan—and western—Turkey and Greece—markets will be in focus. In particular, issues such as rising natural gas demand, construction of long pipelines and attracting foreign capital will be examined within the general context of the paper.

Eastern Markets: China

On the eastern shore of the Caspian Sea the most potential market for the export of natural gas is China, which is rapidly industrializing. Turkmenistan and Kazakhstan are the two states that are interested in selling their gas to China. These two states possess the largest share of Caspian natural gas reserves. With proven and possible assets Turkmenistan holds the world's fifth largest natural gas reserves (229.9 tcf), while Kazakhstan, the world's fifteenth largest, has 153.3 tcf of natural gas.¹ Today, Kazakhstan produces roughly 14 billion cubic meters (bcm) of natural gas, all of which it either consumes domestically or exports to Russia. By 2010, Kazakhstan is expected to produce 60 bcm per annum, while Turkmenistan's gas production will reach 120 bcm/y.² In 2003, Turkmenistan produced 59.09 bcm of natural gas.³

Despite the fact that China's domestic natural gas reserves are estimated as much as 53 tcf,⁴ gas has yet to become a commonly used fuel. China's primary energy consumption product is coal (70 percent of total consumption), followed by oil, which makes up roughly 20 percent of total primary energy. Natural gas in China is used primarily in industry and accounts for 82 percent of industrial energy consumption.⁵ Its current natural gas consumption is roughly 3 percent compared to a world average of 24 percent and an Asia-wide average of 8.8 percent.⁶ Although China is a self-sufficient country with regard to its natural gas consumption, its demand is expected overrun supply by the end of 2005. And in the long run the share of natural gas in economy will increase as well. Official figures show that the use of natural gas by 2020 will be around 8 to 10 percent of total energy consumption.⁷ It is projected that during the same

¹ See: *Caspian Sea Region: Key Oil and Gas Statistics*, Energy Information Administration (EIA), August 2003. Available online at [<http://www.eia.doe.gov/emeu/cabs/caspian.html>].

² See: D. Sarsenova, "Kazakhstan a Player in Eurasian Gas Cooperation", *The Times of Central Asia*, 1 April, 2004.

³ "Turkmenistan Gas Production up 4% in Q1", *Interfax*, 7 April, 2004.

⁴ See: *EIA: Country Analysis Brief: China*, June 2003. Available online at [<http://www.eia.doe.gov>].

⁵ See: "Natural Gas Pipeline Development in Northeast Asia," *Asia Pacific Energy Research Center (APEREC)*, April 2000, p 11. Available online at [<http://www.ieej.or.jp/aperc/final/ne.pdf>].

⁶ See: Bernard D. Cole, "Oil for the Lamps of China—Beijing's 21st Century Search for Energy," *McNair Papers 67—the Institute for National Strategic Studies*, National Defense University, Washington, DC, October 2003, Chapter 4. Available online at [<http://www.ndu.edu/inss/mcnair/mcnair.html>].

⁷ *Ibid.*, p. 27.

period, the demand for natural gas will grow at an average rate of 11.7 percent per year.⁸ The share of domestic production will make up of 60-130 bcm/y of this growth while imported gas, including Liquefied Natural Gas (LNG) will range from 25 to 50 bcm/y.⁹

The Chinese government understands the growing importance of natural gas and has been actively improving the country's infrastructure and distribution networks. One such attempt is the ongoing construction of the West-East Pipeline. This 3,900 kilometer gas pipeline will carry 12 bcm/y of natural gas from the Tarim basin in Xinjiang to Shanghai over the period of 30 years, linking less developed western provinces with China's central transmission network system. The region's reserves are the second largest in China and estimated as high as 527 bcm in 2001.¹⁰

As far as the Caspian Basin is concerned, the West-East Pipeline will create an additional gas network that can potentially connect the gas routes of Central Asia, China and Japan. There are two pipeline projects with the prospective of becoming viable in the long run. The first pipeline is from Turkmenistan to China. The initial agreement to build a 6,700 kilometer long pipeline that would cross Uzbekistan and Kazakhstan before reaching China was signed in 1994. After an initial joint feasibility study by Turkmenistan, China and Japan the pipeline's cost was \$12 billion, with transport capacity ranging from 10 to 20 bcm/y.¹¹ Although China has been committed to moving ahead with this project, due to a lack of investment, political risk, and poor relations between neighboring states, the project has been suspended for an indefinite time.

The second possible pipeline is from Kazakhstan to China. China has long viewed Kazakhstan as a potential oil supplier, and there are some scenarios for building a natural gas pipeline as well. One such scenario proposed by the Asia Pacific Energy Research Center in 2000 is a potential Kazakh-Chinese natural gas pipeline with 32 bcm/y capacity.¹² This pipeline has several advantages: it does not cross any other state's territory on its way to China, and it helps Kazakhstan to diversify its natural gas sale. However, for the time being China has put a hold on gas and oil pipelines from Kazakhstan, as it is actively exploring the possibility of getting Russian oil and gas from Russia's Far East and Siberia. Therefore, the fate of this pipeline will depend on how well the Russian-Chinese negotiations go and whether enough investment is found to build this long distance pipeline.

Even though building long pipelines require huge investments and a great amount of time, China seems to be committed to the realization of these projects in the long run. Nonetheless, it is too early to say whether these projects will ever get off the ground. There are numerous factors that will play in the process including: Chinese development process and the share of natural gas in the economy, the political situation in the Central Asian states, the commitment on the side of Chinese and Central Asian governments and, more importantly, multi-billion dollar investment.

Southern Markets: Pakistan and India

The southern markets have been one of the promising and yet controversial ones.

Turkmenistan is very interested in selling its gas to its southern neighbors including Iran, India and Pakistan. In 1995, Turkmenistan signed an agreement with Iran which proposes to supply eight billion

⁸ See: J. Choo, "The Geopolitics of Central Asian Energy," in: *Limiting Institutions? The Challenge of Eurasian Security Governance*, ed. by James Sperling, Sean Kay and S. Victor Papacosma, Manchester University Press, Manchester, New York, 2003, p.113.

⁹ There are various estimates for future natural gas production in China. The range provided here is a combination of data provided in Table 9 of APERC 2000 report (see: "Natural Gas Pipeline Development in Northeast Asia," p. 15, note 50).

¹⁰ See: "Developing China's Gas Market—The Energy Policy Challenges," *International Energy Agency*, 2002, Chapter 7. See also: *EIA: Country Analysis Brief: China*, note 4.

¹¹ *Ibid.*, p. 226.

¹² *Ibidem.*

cubic meters of gas each year for 25 years.¹³ Since 1997, Turkmenistan has been exporting gas to Iran through its Korpedzhe-Kurt Kui pipeline (see Map 1).

Map 1



¹³ "Turkmen Oil and Natural Gas: The Viability of Delivering Prosperity to Global Markets," *The TED Case Studies. An Online Journal*, American University, Case No: 385. Available online at [<http://www.american.edu/projects/mandala/TED/turkmen.htm>].

As far as the Pakistani and Indian markets are concerned, the Trans-Afghan pipeline (TAP) is the major project that has potential and yet has never moved beyond feasibility study. The idea of building a gas pipeline via Afghanistan first surfaced in the mid-1990s when Turkmen President Saparmurat Niyazov and the then Pakistani Prime Minister Benazir Bhutto signed a "founding" agreement.¹⁴ In 1997, another trilateral agreement between Turkmenistan, Pakistan and the two energy companies, namely the U.S. Unicol and Saudi Delta Oil was signed. It proposed to build a 20 bcm (700 bcf) pipeline with an estimated cost of \$2 billion (\$2.7 billion if extended to India). The construction was scheduled to begin in 1998. However, the civil war in Afghanistan and disapproval of the U.S. government forced Unicol to withdraw from the project. Nonetheless, the parties succeeded in finishing a feasibility study, as a result of which India was invited to join the project.¹⁵ Another feasibility study by the Asian Bank of Development is expected to finalize this year. Besides ABD, the world's largest natural gas producer, Russian Gazprom, has also held talks with Pakistan about building the proposed Trans-Afghan pipeline.¹⁶

After the overthrow of Taliban regime in Afghanistan, the leaders of Afghanistan, Pakistan and Turkmenistan signed another agreement in December 2002, confirming the route of TAP. The framework agreement proposed to pump 30 billion cubic meters of natural gas annually through a 1,500 km long pipeline, which would start in Turkmenistan and go through Afghanistan to the Pakistani port of Gwadar. The cost was estimated at \$3 billion.¹⁷ Although the deal brought the TAP back to life, it did not include India, whose participation is crucial for the project's economic viability.

India's participation in the project will certainly speed up the plan. Recently interest in importing natural gas by pipelines has revived in India, and it has been looking for alternative suppliers. Its natural gas consumption is projected to reach 1.2 tcf in 2005 and 1.6 tcf in 2010.¹⁸ However, India has been reluctant to meet the rising demand through the TAP primarily due to three factors: (a) a reluctance to allow its energy vessels to pass through a 'foe' neighbor, Pakistan, that can gain leverage over India's energy supplies; (b) India has been rapidly developing natural gas industry of its own that it needs to make use of it first; (c) there are several alternatives that India can choose from.¹⁹ Moreover, India also seriously considers using LNG instead of building a long distance pipeline.

Since India's position vis-à-vis the TAP is not clear and Afghanistan gas consumption is too modest, Pakistan remains the only relevant market for this project. Pakistan has roughly 25 tcf (710 bcm) of natural gas of its own. According to the Ministry of Oil and Gas of Pakistan, the country's demand for natural gas is expected to rise substantially, reaching 1.6 tcf by 2006.²⁰ However, the level of demand will not be enough to consume 20-30 bcm from the TAP and a potential "improvement in upstream development could considerably constrain Pakistan's demand for Turkmen gas".²¹

The main concern for the TAP project, nonetheless, is the long-term contracts that Turkmenistan has signed with Russia. Russian domination of future gas exports and routes may endanger this project. In recent years, Turkmenistan and Kazakhstan have pursued northward routes linking their gas pipelines with the Russian gas networks. In 2003, Turkmenistan signed a 25-year contract for Turkmen gas delivery to Russia, while Kazakhstan is under pressure to sign similar contract. These long-term contracts could jeopardize the countries' potential natural gas supplies and unable them to deliver enough gas for the TAP.

Some estimations show that by 2010 a demand for Turkmen gas will be roughly 183 bcm, while the country's production target is actually 120 bcm. Despite the country's huge reserves, it will be "the size

¹⁴ See: A. Vatansever, "Prospects for Building the Trans-Afghan Pipeline and Its Implications," *The Pacific Northwest National Laboratory*, PNNL-14555, 31 August, 2003. Also available online at [<http://www.pnl.gov/aisu/pubs/tapvatan.pdf>].

¹⁵ See: *Ibid.*, p. 5.

¹⁶ See: "Gazprom in Talks over \$3 Billion Afghani Pipeline," *Pravda.Ru*, 29 May, 2002.

¹⁷ See: "Trans-Afghan Gas Pipeline a Pipe Dream?" *The Hindu*, 30 December, 2002.

¹⁸ See: *EIA: Country Analysis Brief: India*, May 2003.

¹⁹ See: A. Vatansever, *op. cit.*, p. 17.

²⁰ *EIA: Country Analysis Brief: Pakistan*, May 2003.

²¹ See: A. Vatansever, *op. cit.*, p. 15.

of the contracted volumes [as well as] Turkmenistan's gas relations with Russia and Ukraine [that] will determine Ashgabat's ability to meet future gas export commitments at current production targets. A major indicator will be provided by infrastructure development aimed at exporting gas to the North".²² In 2004, Turkmenistan has renewed and signed four gas export contracts. Ukrainian *Neftegaz Ukrainy* will receive 36 bcm, Russian *Itera*, 10 bcm, Russian *Gazprom*, 5 bcm and the National Gas Company of Iran, 7 bcm. In 2003, Turkmenistan gas exports were up 10% reaching 43.4 bcm.²³ Moreover, if in the long run Turkmenistan is planning to commit some of its natural gas to the Trans-Caspian pipeline, then the prospect of the TAP seems shady.

Besides economic obstacles there are also some political issues that can further complicate and postpone the construction of the TAP. An unstable environment in Afghanistan and different interests of regional powers are the major impediment. For instance, Gazprom wants Turkmenistan and Kazakhstan to export their gas using available Russian gas networks. It also strongly supports Iran-India pipeline which is a rival pipeline to the TAP. Furthermore, neighboring Uzbekistan, which can contribute additional gas to the project, is not in good relations with Turkmenistan.

Despite seemingly positive developments in recent years, the future of the Trans-Afghan pipeline remains uncertain. The agreements that were signed between interested parties do not have explicit details such as volume of sales and purchases. A successful construction of this pipeline in the long-term is also impeded by some political and economic issues. Unless issues such as India's involvement in the project, an increase in Turkmenistan's gas production capacity, and international support for the TAP are resolved, the future of Caspian gas running to Pakistan or India via the TAP is vague. Moreover, the TAP has yet to attract other international companies to secure its financing. Thus, both Kazakhstan and Turkmenistan are more willing to consider exporting their natural gas to western markets using the western routes either through Iran, Russia or via potential Trans-Caspian pipeline.

Western Markets: Turkey and Greece

Turkey and Greece will be the two primary consumers and transit corridors for Caspian gas in the future. In the short-term, Azerbaijan and Iran will be exporting their natural gas to Turkey and further to Southern Europe. However, in the long run several projects may surface, including the pumping of Turkmen gas via a Trans-Caspian pipeline as well as Kazakh gas through the Black Sea Blue Stream pipeline. Some of the natural gas may be consumed domestically in Turkey while the surplus will be sold to Greece and other European countries (see Maps 2 and 3).

The major source of the gas in Azerbaijan is the Shah Deniz offshore field, which is located in the western Caspian. A production sharing agreement between Azerbaijan and international energy companies was signed in 1996, but the huge discoveries in Shah Deniz field were only confirmed in 1999. The field's gas reserves are estimated at 600 billion cubic meters or between 25-39 tcf,²⁴ in addition to some 101 million tonnes of condensate. However, it may possess an overall 1 trillion cubic meters of gas and 400 million tonnes of condensate.²⁵

In 2001, Turkey and Azerbaijan signed a sales agreement in which Turkey committed to buy 6.6 bcm of Azeri natural gas per year. The parties also affirmed a route by which the gas will be pumped to Turkish and European markets. They agreed to build additional gas pipeline, the Baku-Tbilisi-Erzurum (BTE), parallel to the planned Baku-Tbilisi-Ceyhan oil pipeline. The BTE, which is known as the South Caucasus Pipeline, starts in Baku and goes to the Turkish city of Erzurum via Georgia. It is

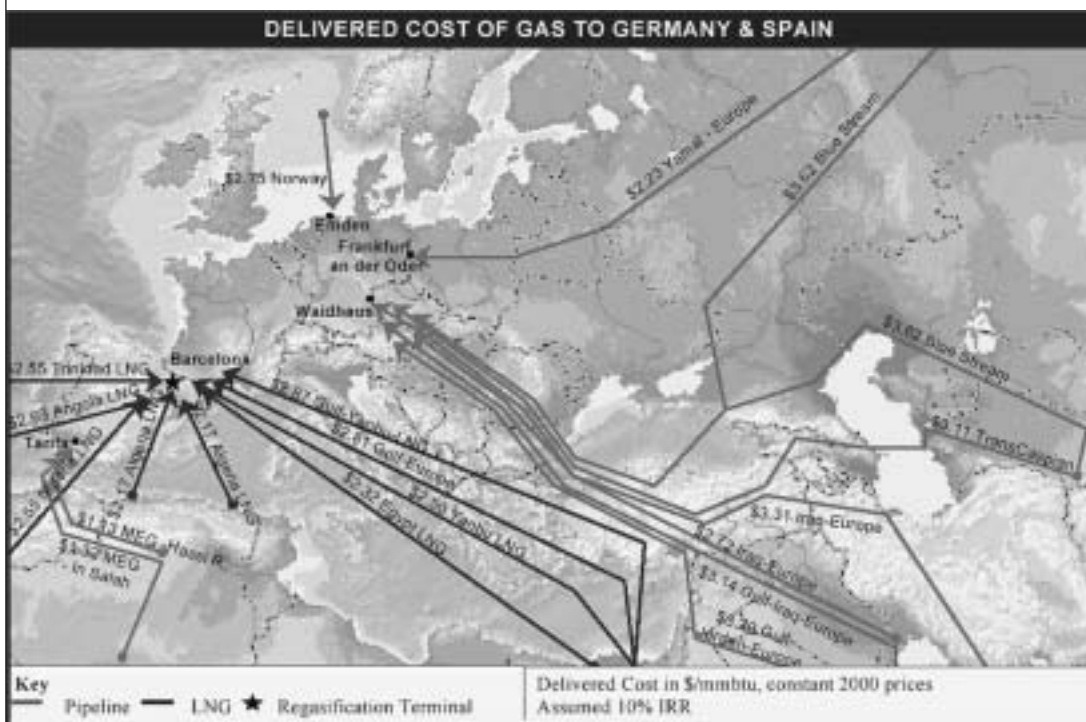
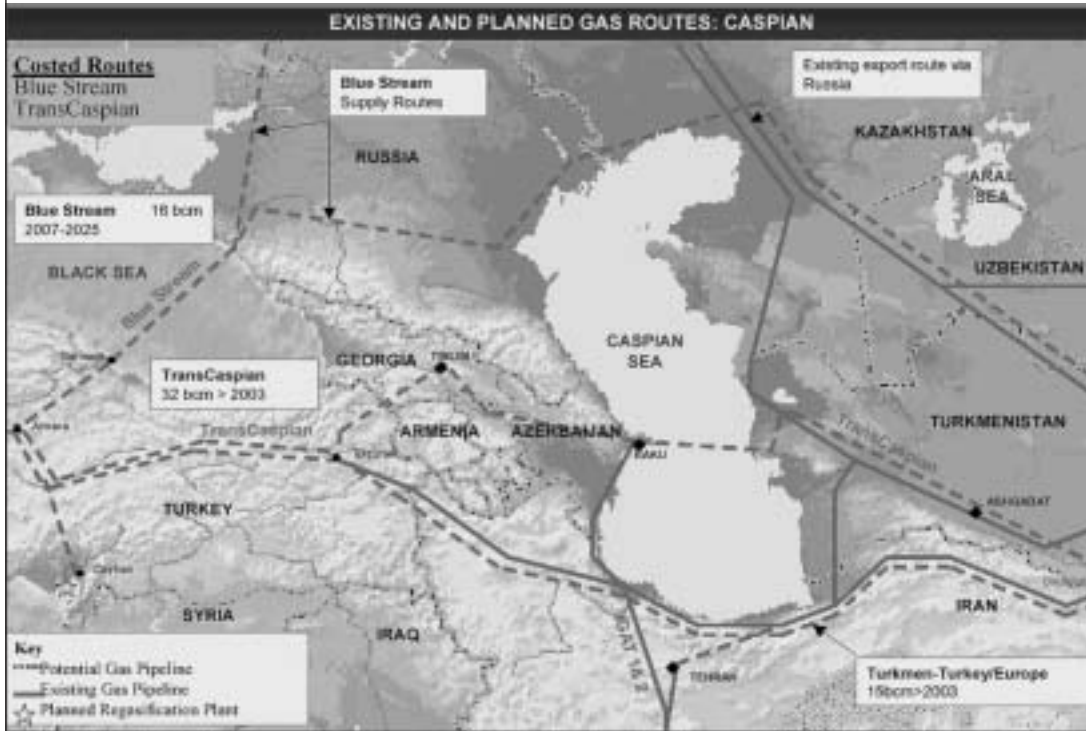
²² Ibid., p. 9.

²³ *Interfax*, 7 April, 2004.

²⁴ See: EIA: "Azerbaijan: Production-Sharing Agreements," June 2002.

²⁵ "Shah Deniz Consortium, GIOC Sign Gas Export Deals," *Interfax*, 31 October, 2003.

Maps 2 and 3



Source: Clingendael International Energy Program [<http://www.clingendael.nl/ciep/pdf/8%20Natural%20gas.pdf>].

680 kilometers long with throughput capacity of 233 billion cubic feet. This project is considered the first step in building the Caspian-Europe natural gas network.²⁶

In the early stages of the project, Turkey will be the primary consumer. Turkey's gas demand was 14.8 bcm in 2000, out of which 64 percent (9.3 bcm) was used for power generation. The country's natural gas demand is expected to triple by 2010. The Turkish Natural Gas company BOTAS estimates total demand by 2020 at 42,977 mcm and total supplies at 40,791 mcm.²⁷ According to IEA Turkey study, the share of natural gas in the country's total energy consumption will increase from roughly 25 mtoe in 2000 to 150 mtoe in 2020.²⁸

To secure its gas supplies, Turkey has signed several purchase agreement with different states, including 10 bcm/y and 6.6 bcm/y from Turkmenistan and Azerbaijan, respectively.²⁹ The signed agreement with Turkmenistan proposing to build a Trans-Caspian pipeline via the Caspian Sea and across Azerbaijan and Georgia, is yet to become a reality. The BTE is currently under construction and due to become operational in 2006.³⁰ It will be linked to the Turkish natural gas network that will further connect it to gas network of Greece.

Greece's natural gas reserves are very small (some 18 bcf), albeit most of its consumption is met from imported gas from countries like Russia and Algeria. As in Turkey, the demand for natural gas in Greece has been growing with remarkable speed, increasing from 1 bcf in 1996 to 76 bcf in 2001.³¹ To catch up with rising demand, Greece signed several memorandums with Azerbaijan, Iran, Italy and Turkey to facilitate the process of connecting the gas networks of these states together.

On 28 March, 2002, Greek Public Natural Gas Company DEPA and the respective Turkish company BOTAS signed the Memorandum of Cooperation, which was the foundation of consecutive treaties between the two states. The memorandum established a basis for the construction of a 285 kilometer-long natural gas pipeline from Turkey to Greece. As a result, Turkey attained an opportunity to sell some 500 mcm of natural gas from the Caspian Sea region (i.e. Azerbaijan) and Iran to new consumers in Europe and the Balkan Peninsula.³² Final agreement between Greece and Turkey to build the \$300 million pipeline was signed in February 2003. The pipeline will be completed in 2005 with a throughput capacity of roughly 17.7 bcf per year.³³

From an economic perspective the gas from the pipelines linking Turkish and European gas markets will be more cost efficient compared to that of Russian gas³⁴ (see Maps 2 and 3) In particular, the transfer of Caspian natural gas to European markets, where demand for natural gas is also expected to rise, will benefit the South European states that have to diversify their energy supplies in the upcoming decade.³⁵ The potential pipelines from Kazakhstan to Turkey via the Black Sea pipeline and from Turkmenistan to Turkey via the Caspian Sea will help the European Union in its diversification process.

Conclusion

In conclusion, it is fair to say that Caspian natural gas, though yet to gain access to world markets, can potentially become a significant energy source for the countries like China, Pakistan, India, Turkey,

²⁶ See: *EIA: Country Analysis Brief: Azerbaijan*, June 2003.

²⁷ See: *Natural Gas Supply and Demand Scenarios from BOTAS* (Petroleum Pipeline Corporation). Available online at [<http://www.botas.gov.tr/>].

²⁸ See: *IEA: "Energy Policies of the IEA Countries: Turkey 2001 Review,"* 2001. See Figure 4: Total Final Consumption by Source from 1973 to 2020, p. 26.

²⁹ See: *IEA: "Flexibility in Natural Gas Supply and Demand,"* 2002.

³⁰ See: *EIA: Country Analysis Brief: Turkey*, May 2003.

³¹ See: *EIA: Country Analysis Brief: Greece*, July 2003.

³² [<http://www.depa.gr/>].

³³ See: *EIA: Country Analysis Brief: Greece*, July 2003.

³⁴ Figures from the presentation of the Chairman and General Manager of BOTAS, Mehmet Takiyüddin BİLGİÇ, "Turkey Energy Bridge Between East and West," show that the cost of natural gas transported through Turkey (\$mm/btu) will be around \$2-2.17 compared to a cost of the Russian gas which is more than \$2.5 (30 October, 2003). For full speech of Mr. BİLGİÇ, see [<http://www.botas.gov.tr/eng/presentations.html>].

³⁵ See: *Transport and Energy Infrastructure in South East Europe*, European Commission's strategy paper for Transport and Energy Infrastructure, Brussels, 15 October, 2001. Available online at [http://europa.eu.int/comm/ten/infrastructure/doc/tren_se_en.pdf].

and Greece. Although it requires building long distance pipelines, as well as attracting enormous capital and foreign investment, the prospect of the western markets are the most promising. Thus, pipelines from Azerbaijan and potentially Kazakhstan and Turkmenistan could become a significant supply for Turkey, Greece and other South East European countries. The Baku-Tbilisi-Erzurum pipeline that is currently under construction is due to be operational in 2006. It will be the first project to link the Turkish natural gas network with the Caspian Sea region that could be eventually enhanced by involving Turkmenistan via Trans-Caspian Pipeline.

On the contrary, there are some issues with regard to the transportation of Caspian gas to China. The construction of long-distance pipelines is capital intensive and requires the collaboration of several countries and international investors. Though China acknowledges the importance of Caspian gas resources, its current concentration is on building domestic infrastructure and seeking to get Russian oil and gas from the northern peripheries. Nonetheless, the West-East Pipeline project that China is currently developing domestically will create additional gas network that can potentially connect the gas routes of Central Asia, China and Japan.

As in the case of eastern pipelines to China, the fate of southern projects is also ambiguous. The so-called Trans-Afghan pipeline has never moved beyond agreement stage and is currently on halt. The reluctance of India to participate in any pipeline project that passes through Pakistan is seen as one of the major obstacles, as Pakistan's demand for natural gas will not be enough to make this project economically viable. The main concern for the project, however, is long-term commitments by the Central Asian states to other natural gas buyers, such as Russia and Ukraine. Turkmenistan has already committed to deliver more natural gas than it has projected to produce in 2010. And unless, in the long-term, the country attracts foreign investors and develops its natural gas industry rapidly, Turkmenistan will not be able to satisfy all customers and thus the TAP will be delayed even further.

Nonetheless, there is a potential for the Caspian states to become the major gas exporters in the region. It will require attracting foreign investors and creating politically stable environment with low economic risk. The states should also solve their interstate disagreements and be more cooperative in interstate projects, including Turkmenistan, Uzbekistan, and Kazakhstan—the three key states at the crossroad of possible pipelines to China. The stabilization of Afghanistan and normalization of Pakistani-Indian relations in the long run will help to revive hitherto an unaccomplished construction of the Trans-Afghan pipeline. Moreover, Kazakhstan and Turkmenistan should work with international companies in getting their gas to Turkish markets and further to Europe, diversifying their export routes, which are currently dominated by Russia.

RUSSIAN ENERGY COMPANIES IN CENTRAL ASIA

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Recently, the largest Russian oil and gas companies have turned their attention to Central Asia and have been developing their cooperation with the post-Soviet republics in various forms and with different results. Their successes will allow Moscow to recapture the positions that

until recently looked as lost forever to Western rivals. The Russian firms stepped up their activity in 2001 when the geopolitical situation had changed dramatically: the counter-terrorist operation in Af-

ghanistan brought American military bases to the region, while the United States started seeking closer political and economic ties with the new independent states.

Kazakhstan

Kazakhstan, the republic rich in mineral resources, resolved to attract as many investors as possible to its raw-material sectors, is one of the key Russia's post-Soviet partners and the most attractive Central Asian republic. LUKoil is active there; with dominating positions in the Caspian Region it also dominates oil prospecting in the Russian Caspian sector.

Until recently its presence in Kazakhstan was limited by its 2.7 percent of shares in the JV Lukarko, part of the Caspian Pipeline Consortium (CPC) that exploits the Tengiz-Novorossiisk oil pipeline. The company also owned 15 percent of shares of large gas-condensate fields Karachaganak in the west of Kazakhstan and 50 percent of the Turgai Petroleum JV that produce oil in Kumkol (the country's central part). However, LUKoil was not an operator of these projects, and the company has posed itself the task of concentrating on the projects in which it can obtain the operator status.

It was the Russian-Kazakhstani intergovernmental agreements on the delimitation of the national sectors of the Caspian signed in 2003 that urged LUKoil to act. Under the same agreement the countries decided to work jointly on the contestable and very promising structures Kurmangazy, Tsentral'noe, and Khvalynskoe. Having registered their parity involvement, each of the sides appointed a company responsible for the further development of the structures. There were no surprises: Astana appointed a state oil and gas holding Kazmunaygaz as an operator of the projects, while Moscow gave similar powers to several firms (LUKoil—Tsentral'noe and Khvalynskoe; Rosneft—Kurmangazy; and Gazprom—Tsentral'noe). Hypothetical reserves of the three structures have been assessed at about 1.5 billion tonnes of oil and over 800 billion cu m of gas. Their commissioning is expected in 2005-2006.

This delimitation allowed Kazakhstan to look for foreign investors for its hydrocarbon resources. The country plans to bring up annual oil production to about 150 million tonnes by 2015. In these plans Astana stakes on active development of its marine oil fields, especially the Kashagan field in the northern part of the sea, where AgipKCO discovered oil reserves amounting to about 9 to 13 billion barrels. According to the most conservative assessments, the field contains about 1 billion tonnes of oil. This is one of the largest fields in the world discovered in the last 30 years.

At the first stage, in 2004-2005 the republic intends to invite bids for about 23 promising plots, its marine sector containing 100 such plots. Kazakhstan plans to follow in the footsteps of Azerbaijan that starting in the mid-1990s has already concluded 15 production sharing agreements with foreign investors for several of its promising structures in its Caspian sector. Astana expects that its sea sector contains blocks similar to the Azeri-Chirag-Gunashli block of Azerbaijan where the AIOC international consortium headed by British Petroleum discovered the sources of about 5.4 billion barrels of oil.

Several large Western companies, some of them already working in Kazakhstan, have betrayed their interest in the coming bids, yet LUKoil outstripped them all. Within a very short period of time, in less than 12 months, it conducted a series of talks and signed an agreement with Astana. It is the first in the series of the marine PSA that are still being elaborated for Western investors. Early in 2003, even before the talks were concluded, LUKoil and Kazmunaygaz had signed a memorandum on cooperation in prospecting and extraction of hydrocarbons in the Kazakhstani and Russian sectors of the Caspian (the document covered the promising structures as well). In addition, Kazmunaygaz got the right to participate in prospecting in one of the blocks of the Russian sector of the sea. There is the opinion that Kazmunaygaz

can be invited to work on the Iu. Korchagin field situated next to the Tiub-Karagan block covered by the agreement.

Active negotiations were crowned with a production sharing agreement for the promising Tiub-Karagan structure signed by LUKoil and Kazmunaygaz on 9 January, 2004 during President Putin's visit to Kazakhstan. This field is found on the northern Caspian shelf, to the northeast of the port of Bautino where AgipKCO has its supply base. To realize the project the sides will set up a JV on the parity basis that will carry out prospecting and extraction. The total reserves are estimated at 674.9m tonnes of oil equivalent, 466m tonnes of it being oil. The contract is signed for 40 years; capital expenditure will amount to \$2.1 billion; operating costs, \$1.7 million. The first exploratory well is expected to be drilled in 2005; the entire exploratory program presupposes seismic 2D prospecting and drilling of two wells. LUKoil will pay for this stage. The companies signed another agreement on studying the neighboring Atash (formerly, Kazakhstan) structure. The Russian firm agreed to shoulder the risks related to geological prospecting, the cost of which would amount, according to the firm's experts, to \$150-170 million.

In April 2004, LUKoil launched 2D seismic prospecting in the contract area. According to the available information, by September the company had already studied about 1,712 sq km at the depths from 7 to 35 m. The service Kazakhstankaspiyshelf company with a rich experience of geophysical investigation of the Kazakhstani sector of the Caspian was appointed the contractor. The cost of this stage is assessed at \$4.2 million. LUKoil has stated that seismic prospecting is expected to clarify the block's geological structure and prepare it for exploratory drilling.

Politically, this contract can be described as the first serious success scored by the Russian oil companies in Kazakhstan, the country rich in mineral resources. Before that LUKoil had to be satisfied with partnership in the projects dominated by Western firms. The Russian oil giant has captured a niche in this Caspian sector; since that time on it can expect new tempting offers from its Kazakhstani partners.

One more thing: LUKoil had managed to sign the agreement several days before the new taxation regime in the oil sector, which caused serious displeasure among the investors, was introduced in Kazakhstan.

The New Rules

According to the Ministry of Energy of Kazakhstan, in 2004 the republic will produce 55m tonnes of oil; in 2005, 60m; by 2015 it would be producing 150m tonnes every year (if the branch manages to attract no less than \$54 billion of foreign investments). The steadily increased amounts of produced and exported oil and the steady flow of petromoney to the country's budget tempted Astana, late in 2003, to tighten the taxation regime.

In November 2003, the parliament's lower chamber (Majilis) adopted at the second reading a draft law that introduced a rent tax on exported oil that depended on the cost of oil, transportation costs and other expenditures (see Table). K. Atekenov, Deputy Minister of Economics of Kazakhstan, had the following to say in this connection: "We shall take into account the average weighted price ... the oil brands close to the Kazakhstani brands fetch on the world markets. It is the task of the government to readjust them." The calculations of plant costs compensation and profit oil sharing have been tightened.

The new taxes are limited to the new projects the contracts for which will be signed when the draft becomes law. Before that the investors paid 16 percent VAT, royalties and certain excise taxes.

This came as an unpleasant surprise for investors; the foreign companies wishing to take part in 2004 tenders for new offshore projects expressed their concern. According to an employee of one of the companies already involved in an offshore project, the situation has obviously worsened; the investors have been left with a possibility of demanding taxation privileges for the most complex projects.

Table

New Oil Export Taxes

Average Price of the Basket of Brands (\$/barr.)	Tax Rate (% of price)
0-18	0
19	1
20	4
25	16
40 and more	33

He sees no possibility of returning to the old regime; the investors, however, can obtain certain privileges for special projects and difficult geological conditions (in the Northern Caspian in the first place).

Investors are convinced that together with the threat of lower world oil prices the inflated taxes may undermine an interest of foreign firms in the Kazakhstani projects. The desire to raise the taxes is natural, yet the government should always bear in mind that the world prices can slide down; this will force many companies to abandon large-scale capital-intensive projects, related, in particular, to the sea's northern part.

Significantly, the new stricter taxation rules appeared in anticipation of the first bids for offshore projects planned for 2004. Discontent among the investors has already postponed them—they are expected to take place in 2005. Rosneft that had planned to launch the joint Kurmangazy project in 2004 was among the discontented. Late in March 2004 the company's President S. Bogdanchikov said that the new Taxation Code reduced the project's profitability to 8 percent, the level his company was not prepared to accept. He said, in particular: "The text of the production sharing agreement has been studied in minutest detail, yet if the new Taxation Code of Kazakhstan is applied to it, participation in the project will bring practically no profit."

Rosneft suggested that the intergovernmental agreement should be supplemented with a provision under which the PSA should be applied within the taxation regime that existed when the protocol had been signed. In April, Minister of Fuel and Energy of the RF Viktor Khristenko supported this position during his visit to Astana with no positive results. Premier of Kazakhstan D. Akhmetov said that Kazakhstan would not grant tax privileges to Rosneft, yet planned to sign the relevant PSA in 2004. His press secretary explained that the statement should not be taken to mean that Kazakhstan's position is a rigid one, yet he hinted that his country should not bear losses when it came to sharing profits. The premier also pointed out that his country counted on 70 to 85 percent of profitable products obtained in Kurmangazy.

Rosneft has found itself in a quandary: Kurmangazy, a border site between the Kazakhstani and Russian Caspian sectors, is an interstate project, therefore the company cannot drop it without lengthy preliminary negotiations with the RF government. "We do hope to reach a compromise and raise the project's profitability; because of its high status we cannot drop it all of a sudden." This comment came from a source in Rosneft who did not exclude a possibility of a compromise that might lead to signing the contract in 2004. In this way, Rosneft that depends on state policies was trapped in intergovernmental agreements of the two countries. If it manages to disentangle itself from the project, this may not only postpone the latter's realization but will also complicate the relations between Moscow and Astana that settled mutual claims in the Northern Caspian by signing in 1998 a delimitation agreement. Under this document the shelf stretches on both sides of the border will be developed jointly. The Kurmangazy and the neighboring Tsentral'noe and Khvalynskoe sites should be developed by the spe-

cially appointed companies of Russia and Kazakhstan: the state holding Kazmunaygaz and Rosneft. Another Russian company, Zarubezhneft, has already betrayed its interest in the project as well as Total of France. The hypothetical reserves are from 700m to 1 billion tonnes of oil; the project needs up to \$10 billions of investments.

The three-year long preliminary period that will cost \$50-70m presupposes seismic 2D prospecting in the contracted area and drilling of two exploratory wells. Astana planned to make one of the two in Kurmangazy within 2004, yet it seems unlikely that the sides will promptly settle all disputed questions. The tighter taxation regime (introduced when the republic's oil industry had left the initial period behind) looks logical. Kazakhstan is actually following in Russia's footsteps and, until certain moment, will be prepared to sacrifice certain geopolitical interests. The already raging conflicts with the shareholders of two other large projects (Tengiz and Kashagan) testify that the republic is not yet ready to agree to serious compromises; it may even tighten its demands on investors.

On the other hand, Russia and Kazakhstan are close geopolitically within the CIS, therefore the Kurmangazy problem will be probably resolved by the political leaders of the two countries.

Prospects for the Gas Sector

Despite the objective difficulties, the Russian companies still hope to carve a niche for themselves on the highly promising energy market of Kazakhstan. In February the Energy Ministry of Kazakhstan announced that Rosneft, in alliance with Gazprom, could be invited to take part in building a new gas processing plant at Karachaganak, a huge gas-condensate field.

According to Premier D. Akhmetov, Rosneft will be invited to the third, so-called gas phase, of the development of Karachaganak that contains 1.2 billion tonnes of oil and gas condensate and 1.35 trillion cu m of gas. Since the mid-1990s, a consortium of foreign companies Karachaganak Petroleum Operating (KPO) headed by BJ of Britain and ENI of Italy has been working in the field.

According to KPO expectations, the completed new capacities within the second stage (2003) that cost \$4.3 billion will increase gas production from 5 to 14 billion cu m. John Morrow, the KPO president, has said that 6.6 billion cu m will be sent to the Orenburg Gas Processing Plant in Russia; 1 billion will go to Kazakhstan's domestic market, and another 6.6 billion cu m will be cycled. The KPO president added that further increase in production (to 18-25 billion cu m a year) is contained by lack of markets; therefore the consortium could concentrate on condensate production and limit gas production. The government of Kazakhstan, however, lobbied another gas processing plant not envisaged by the KPO contract obligations—hence a need for other partners.

Premier Akhmetov has said that the republic is resolved to develop its own gas processing and petrochemistry rather than continue exporting expensive raw materials; by the same token, Kazakhstan will free itself from its dependence on the Orenburg Plant. By the summer of 2004 Kellogg Brown & Root of the U.S. completed feasibility studies ordered by the Ministry of Energy of Kazakhstan for a new gas processing plant in Karachaganak with the optimal annual capacity of 400,000 tonnes of liquefied gas; the plant and an export pipeline will cost \$1-1.2 billion; the project's realization will take about 3 years.

It is planned to build the plant in two stages with the annual capacity of each being up to 5 billion cu m; each stage will have its own gas storages and loading facilities to pour liquefied gas into car and mobile gas tanks. It is expected that the first stage will be completed in 33 months.

Today, it is commonly believed that site No. 7, about 23 km to the northeast of Aksai, in the Burlin District, is best suited for the plant construction. On the whole, according to the feasibility study, there are three suitable sites. The first is the Algas railway station in the Terektinskiy District, Western Kazakhstan Region. There are several settlements nearby (Karabay, Shoptikol, Besagash, Karaoba),

but all of them will remain within the 5 km wide sanitary-protective zone. The second site is found at about 27 km to the northeast of Aksai, 1.5 km away from the fields. The authors of the feasibility study are convinced that site No. 7 is best suited to all sanitary requirements: there are no settlements within the 9 km wide area; there are no sources of fresh water within the area either. This makes the site absolutely acceptable and safe.

It seems, though, that the local gas processing facilities will hardly allow Kazakhstan to completely ignore the Russian market; recently Gazprom, unwilling to let considerable amounts of gas escape its control, has been displaying a lot of interest in the Karachaganak project.

Today, Kazakhstan has to use Gazprom pipeline systems to reach the European markets; meanwhile, the Russian company closely controls the volumes of gas exports from Turkmenistan and Uzbekistan, where it buys gas for obviously low prices. Kazakhstan has already expressed its desire to sell its gas to Western Europe or to Russia at the accepted prices; this has already predetermined the partner for the new gas processing plant.

Gazprom invited Kazakhstan to set up a JV based on the Orenburg Plant's capacities; it expressed its readiness to transfer to the new JV several units with the total annual capacity of 8 to 10 billion cu m, two functioning pipelines connecting the gas fields and the Orenburg Plant, and other technological equipment. It is expected that Gazprom will offer Kazakhstan parity in the JV. At the same time, to process the Karachaganak gas and gas condensate in Orenburg the local plant should have to increase its capacity just a little, while a new plant at the field will cost more and will take a lot of time to be completed. According to Gazprom's experts, construction will cost about \$1.3 billion, while the Orenburg project was assessed at \$300m.

The Ministry of Energy of Kazakhstan says that the republic prefers to have its own gas processing plant; they have to admit, however, that construction will cost a lot; the payback period may take up to seven years. Marketing the products will also cause problems that can hardly be resolved without Russia.

It seems that Astana will opt for a political decision: a JV together with Gazprom on the basis of the Orenburg Gas Processing Plant. This will solve the problem of marketing and relieve the republic of its complete dependence on its foreign KPO partners the relations with which have been going from bad to worse, which may seriously affect the republic's plans for the future. For example, last July a conflict around supplies of gas condensate from Karachaganak to Orenburg flared up. The financial police of Kazakhstan opened criminal proceedings against BJ Karachaganak Distribution, a BJ daughter. It was accused of smuggling in 2001-2003 from the Karachaganak fields to Russia unstable gas condensate to the total sum of nearly \$2.7 billion. The Russian Company Orensol that bought and processed condensate at the Orenburg plant was also accused.

If the conflict develops, Astana may fine the BJ Karachaganak Distribution or arrest certain amounts of products, say, part of the condensate delivered to Orenburg or sent to the CPC. In this case, pressure of the republican authorities on the foreign investors may be explained both by the talks under way about BJ's intention to buy 16.67 percent of shares in the Caspian Kashagan project and by the discussions about the best site for the new gas processing plant. The doubtful conditions under which condensate was delivered to Russia and accusations of smuggling can serve as another trump card Astana may lay on the table when discussing a new plant.

At the same time, Gazprom is prepared to buy shares of the republic's gas transportation system (if and when they reach the market). According to Deputy Chairman of the Gazprom Board of Directors A. Riazanov, not only Moscow (and, therefore, Gazprom) will profit from this, but also Astana. Said he: "We look at Kazakhstan as an important transit state, in the first place, therefore we are following closely how its gas transportation system is developing. Its capacities do not meet our requirements... Russia has serious contracts with Uzbekistan and Turkmenistan that will require large transportation transit capacities to move Uzbek and Turkmenian gas to Russia via Kazakhstan." He has said that starting in 2007 these volumes will never be below 70-80 billion cu m a year. (In the first six months

of 2004 Gazprom moved across Kazakhstan 20 billion cu m of Turkmenian gas and over 2 billion cu m of Uzbek gas.)

Joint-stock company KazTransGaz in which 100 percent of shares belong to the state controls the main gas pipeline system of Kazakhstan (10,000 km of pipelines). Today, it is engaged in an investment program that concentrates on re-establishing the transit capacities of the main gas pipeline Central Asia-Center (CAC); its modernization is expected to take 10 years and will cost about \$1.3 billion. The company plans to invest over \$500m until 2005; it expects to invest its own funds and tariff incomes, invite international financial groups, and borrow from banks of Kazakhstan.

The strategic interests of the Russian monopolist and Kazakhstan are identical: they both need greater carrying capacity of the CAC, which is today 45-50 billion cu m a year because in 2003 Gazprom signed a long-term contract with Astana in anticipation that by 2007 it would buy up to 70 billion cu m of gas from Turkmenistan (as against 5 billion bought today). In 2004, Gazprom announced that it was prepared to invest over \$1 billion in developing gas fields in Uzbekistan.

So far, officials in Astana say that the republic's gas transportation system does not need privatization. According to N. Rakhimov, General Director of KazTransGaz, "there are no problems in the gas transportation system that would require Gazprom's involvement." Observers are inclined to interpret these statements as preparations for negotiations with Gazprom in which Astana may try to exchange its participation in privatization for certain concessions in other projects.

Uzbekistan

The republic is rich in oil and gas: 190 energy fuel fields have been discovered; 94 of them contain gas and gas condensate and 96 are oil and gas, oil and gas-condensate and oil fields. Forty seven percent of them are functioning; 35 percent are ready for functioning; on the rest prospecting is still going on.

Uzbekistan is the third among the East European and CIS countries where the prospected natural gas reserves are concerned; it has the fourth largest deposits of liquid hydrocarbons. Its assessed gas reserves are 2 to 5 trillion cu m; oil, 5.3 billion; gas condensate, 480m tonnes. Today, the republic produces about 58 billion cu m of gas a year (it exports no more than 10 billion cu m; the rest is consumed at home). The republic is far removed from the world markets, which considerably limits its export potentials. In addition, Uzbekistan needs foreign money to properly develop its gas fields—this opens the doors to foreign, Russian in the first place, companies. As distinct from Astana, however, Tashkent never posed itself the task of attracting Western money in large quantities.

The expert community believes that separated from the neighboring countries (Turkmenistan and Kazakhstan) investments in the Uzbekistani gas sphere might prove ineffective because of the country's geographic location. In fact, in the mid-1990s this frightened several potential investments away; until recently the oil-and-gas niche remained vacant.

Obviously, any potential investor with an interest in the Uzbek gas should seek a unified strategy for the three countries—something that Gazprom has been doing for the last two years. An agreement of 2003 for the period of up to 2012 the company signed with the government of Uzbekistan presupposes joint development of gas fields and deliveries of gas (5 billion cu m a year up to 2005 and 10 billion cu m a year starting in 2010). The CAC main pipeline that connects Russia and Turkmenistan heightens Gazprom's strategic interest in Uzbekistan.

In December 2002, Uzbekneftegaz and Gazprom signed an Agreement on Strategic Cooperation for the Period of up to 2012 under which Uzbekneftegaz and closed joint-stock company Zarubezhneftegaz (set up in September 1998 with 60.1 percent of shares belonging to Gazprom; 24.9 percent, to Zarubezhneft, and 15 percent, to Stroitransgaz) signed a PSA on the investment project "Additional Development of the Shakhpakhty Field in the Ustiurt Oil and Gas Bearing Region" on 14 April, 2004 in Tashkent. This field was discovered back in 1962; its reserves are assessed at 39.9 billion cu m of gas; today, recov-

erable reserves amount to about 8 billion cu m. In February 2002, production was discontinued because of depleted equipment.

Under the above agreement, Zarubezhneftegaz should invest over \$15m in modernization of infrastructure; the sides will divide the profit equally among themselves. It is planned to resume production in the latter half of 2004, to complete construction within 2004 and to develop it further for 13 years more (it is expected to produce 500m cu m of gas every year starting in 2005). By the end of 2004 the investor is expected to complete the booster compressor station. This will make it possible to produce, starting in July 2004, 200m cu m of natural gas and send it to the Karakalpakia compressor stations of the CAC for export. In 2005, annual production and export of gas will reach the figure of 400m cu m.

The Russian company has just signed its first agreement in Central Asia on gas production; in the middle term this will allow Gazprom to move away from resale of gas to its production. This will mean a new stage of its business in the region, restoration of the Soviet chain of geological, extracting and transportation assets, and Gazprom's stronger exporting potential and closer economic relations with its Central Asian partners. It is expected that within 2004 Uzbekneftegaz and Gazprom will sign another production sharing agreement on developing the gas condensate fields in the Ustiurt Region; its total cost is about \$1 billion.

It is interesting to note that Itera was the first Russian company to reach Uzbekistan; together with LUKoil it spent many months negotiating a PSA for Kandym-Khauzak-Shady block in the south of the country. The volume of known geological reserves in the contract territory is 283 billion cu m. The reserves of the largest of them, the Kandym fields, are over 150 billion cu m. However, in 2003, Itera folded up its business in Uzbekistan and closed its office in Tashkent: it lost to Gazprom in stiff rivalry. Gazprom practically monopolized not only Uzbek but all Central Asian gas exports.

LUKoil finished the talks about Kandym-Khauzak-Shady alone. On 16 June, 2004, during President Putin's visit to Tashkent, the Russian oil giant signed a product sharing agreement with Uzbekneftegaz for gas production in the Bukhara-Khiva region, in the republic's southwest. The agreement was signed by Chairman of Uzbekneftegaz A. Azizov and LUKoil President V. Alekperov. The partners will set up a JV with 90 percent of Russian and 10 percent of Uzbek shares. LUKoil had increased its share from 70 to 90 percent six days before the contract was signed. The agreement was signed for 35 years; total investments will reach about \$1 billion. Industrial production will start in 2007. In this way LUKoil has become the second Russian company that realizes a project in the oil-and-gas sector of Uzbekistan under a PSA.

The maximal level of annual production in this project will reach 9 billion cu m, while the total accumulated volume of production may reach 207 billion cu m. A state-of-the-art gas chemical complex with an annual capacity of 6 billion cu m is planned; its first phase being commissioned in 2010; 240 development wells will be drilled; over 1,500 km of pipelines will be laid. Two more compressor stations are planned to be built together with gathering stations, shift settlements, high-voltage power line, a railway about 40 km long, highways and approach roads. Gas will be transported through main gas pipelines operated by Gazprom. This will ensure the Russian monopolist an indirect role.

The feasibility study of the project was supplied by the UzLITIneftegaz Institute, a daughter company of Uzbekneftegaz; the PSA was elaborated by Baker & McKenzie of the U.S. Both documents were approved by the Special State Commission of the republic set up to formulate the conditions of the use of mineral resources and examine PSA drafts.

The largest Russian oil and gas companies gained domination in the fuel and energy sector of Uzbekistan—something that none of the foreign investors had achieved so far—because of their active position. In Kazakhstan, however, the Russian firms will compete with the world's largest companies—ChevronTexaco, ENI, BG, and others. In Uzbekistan, the coordinated efforts of the Russian companies and control over the transportation lines (production-transportation controlled by Gazprom and LUKoil) will allow Russia to build up more effective geopolitical relations with Tashkent. So far, Uzbekistan is the only Central Asian country in which Russian companies have not yet encountered objective problems.

Turkmenistan

Russian companies started their expansion into the marine sector of the republic at a time when the majority of Western giants and medium-sized firms believed investments to be too risky for their taste. The political factor is not the only problem: prospecting and development of the republic's marine sector is hampered by depleted oil infrastructure and its obviously inadequate development. It was Azerbaijan that inherited from the Soviet Union the entire park of drilling rigs, pipe-laying barges and assembly sites. Its relations with Turkmenistan are far from simple. For the same reason the republic cannot develop the debatable Kiapaz (Serdar for Turkmenistan) site on which Ashgabad signed several agreements (with ExxonMobil of the U.S. in particular) in the 1990s. Having reached no progress in its talks on Garashyzlyk 2, the company left Turkmenistan altogether.

Today, the republic is developing several projects, some of them under PSA, that involve Dragon Oil of the UAE and Petronas of Malaysia. According to Turkmenian experts, in the near future their investments will reach the figure of about \$3 billion.

In an effort of attracting more foreign money to its marine sector, the government elaborated a Licensing Program for the Turkmenian Caspian Sector up to 2010 that envisages tenders for 32 highly promising blocks (discovered through seismic exploration). The investment climate, however, does not allow the republic to expect large investments. In addition, the republic concentrates on gas production and its main reserves are found on the continent.

In Uzbekistan and Turkmenistan Russian oil and gas companies can successfully replace Western investors that either left the country or never came to it. Gazprom, which in 2003 signed with Ashgabad a long-term agreement on purchase of fairly large amounts of natural gas, was the first of Russian investors.

In 2003, Ashgabad reached, in principle, an understanding on a marine project, with considerable potential economic and political dividends. Zarit, a consortium of Russian companies Itera (37 percent), Rosneft (37 percent) and Zarubezhneft (26 percent) started developing a PSA for prospecting and developing blocks 27-30. According to the results of seismic prospecting, this Caspian sector is the sea's richest in hydrocarbon resources. According to independent experts, it contains 11 billion tonnes of oil and 5.5 trillion cu m of gas. With the help of this project Russian oil companies would strengthen their positions in the republic's oil and gas sector and take part, for the first time, in developing its shelf. The reserves of the contract area have not been identified, yet, according to specialists, in peak years the four blocks will produce about 15m tonnes of oil a year.

It was planned to sign the agreement on 12 December, 2003 after which Zarit would have been able to start drilling the first exploratory well in 2004. But because of certain disagreements the contract was to be signed in February 2004. The operating margin of each of the participants and its distribution was one of such problems. There is another problem hard to overcome: the contract area is adjacent to the Iranian sector of the Caspian; what is more, part of it is found in the Iranian sector. The Russian side is convinced that Iranian oil firms should be invited to take part in the project. So far, official Tehran is in no haste of accepting the invitation; it prefers first to delimitate the national sectors and reach an agreement on the sea's legal status.

Iran's irreconcilability on this issue is too well known: the country that has no offshore hydrocarbon reserves in the Caspian insists on an equal division of the sea among the five Caspian states in order to gain control over several promising oil and gas blocks now owned by Azerbaijan and Turkmenistan. Until the final documents are signed Iran refuses to recognize any oil-and-gas agreements on the Caspian as legal. To avoid disagreements, Russia invited Iran to join the project as a shareholder—Tehran answered that until the sea obtains its legal status and the national sectors are delimited it would keep away from the Caspian projects and would never look at them as legitimate.

Viktor Kaliuzhniy, special representative of the RF president for the Caspian issues, actively defended the interests of the Russian companies. Back in 2003 he said that Iran's involvement in Zarit would

be greeted. He said that its involvement would accelerate the project because Iran was convinced that the blocks were found in the debatable zone.

Mehti Safari, Iran's special representative for the Caspian issues, said on 17 March, 2003 in Baku that his country would never enter into any bilateral or trilateral agreements with its Caspian neighbors and that it was ready to sign a five-sided agreement on the sea's legal status.

This practically stopped the project in the same way as the ExxonMobil and BP projects had been earlier discontinued in the southern part of the Azerbaijanian sector (the exploratory blocks Savalan and Alov). An official of one of the Russian companies involved in the Zarit consortium said that until Tehran agreed to participate in the project all other agreements would remain meaningless and that no exact date of signing the contract can be named.

Obviously, if Russian diplomacy manages to overcome these obstacles, Zarit will become the first project on the disputed territory that will bring together Iranian, Turkmenian and Russian oil companies. There is a lot of skepticism, however, in the expert community about a consensus on the division of the Caspian based on the principles already registered in the agreements between Russia and Kazakhstan, Russia and Azerbaijan, etc.

The situation will aggravate if the project is started without first settling the relations with Tehran. A political decision is one of possibilities—this has already happened with Kurmangazy project in Kazakhstan. Today, however, Moscow and Tehran have other problems to discuss: cooperation in the sphere of nuclear technologies and another crisis in the relations between Iran and the United States.

Observers are convinced that despite the old trade contacts Russia and Iran have not become close diplomatic partners: they share common approaches on certain issues, yet disagree on other issues (development of energy resources and export routes). Even though the two sides are united to curb the mounting Western influence (the U.S. influence, in the first place) in the Caspian, the two countries remain rivals when it comes to exporting considerable amounts of Turkmenian gas, which will interfere in coordinating their political efforts for several years to come.

So far, Russian presence in Turkmenistan is limited to the purchase by Gazprom of large amounts of gas. The Russian firm drove away all other serious users of Turkmenian gas (at least for the near future) as well as more ambitious projects (pipeline to Afghanistan and Pakistan or a trans-Iranian gas pipeline that branches off to Turkey and Europe) for a longer period.

C o n c l u s i o n s

After several years of inaction Russian oil and gas companies managed to return part of their positions in Central Asia. They look at the most promising Central Asian market as a means of diversifying their business risks, expanding their influence to new regions and withstanding rivalry with Western firms.

This is promoted by the growing ambitions of the Central Asian countries that make new requirements of their Western partners, as well as by the traditional geopolitical closeness between them and Russia. Political factors and the level of cooperation between the state structures will undoubtedly help resolve certain problems. The already functioning transportation routes and the huge market will help Russia (through its companies) gradually strengthen its positions in the region and resolve some of its geopolitical problems there.

KAZAKHSTAN: PROBLEMS OF DEVELOPING THE OIL AND GAS SECTOR AND IMPROVING THE SYSTEM FOR TAXING SUBSURFACE USERS

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In recent decades, the role of the oil and gas industry in the economic development of many states has significantly grown. This also stands true for our republic. The increase in its oil production and export, the country's main source of revenue, is prompting it to put up an increasingly active fight to conquer energy markets.

According to the Ministry of Energy and Mineral Resources, the proven reserves of oil and gas condensate in the republic amount to 4 billion tonnes. In terms of these indices, Kazakhstan is currently one of the leading oil and gas states in the world. But this does not guarantee the country prosperity. It still needs to find its niche on the world markets offering the best operating performance and political dividends.

At present, the oil and gas sector accounts for approximately 14% of the gross domestic product (GDP). This is essentially the same as the total contribution of the republic's transportation and construction sectors to the GDP, whereby in the past five years the share of the oil and gas industry in the GDP grew 2.1-fold (see Table 1). Throughout industry as a whole, it amounts to 10.2%, increasing in these same years by 2.4-fold, and in construction it has risen by more than 1.5-fold, which shows the intensive introduction of new facilities in this sector.

Whereas in 2003, total oil production in Europe and Eurasia amounted to 101.3% of the 1985 level (in 2002—97.2%) and in Russia to 78%, in Kazakhstan it increased by 230%. This clearly confirms that the republic is steering toward intensive development of the oil and gas industry, particularly oil production. Since 1996, the production of oil and gas condensate in the country has been rising steadily (in the first half of the 1990s, particularly in 1994-1995, these indices were perceptibly lower than in 1985-1990).

Today, Kazakhstan occupies 18th place among over 60 oil producing states in the world in terms of raw hydrocarbon production, and fourth among the European and Eurasian countries (after Russia, Great Britain, and Norway). And whereas in 1985 its share in the total oil production volume of Europe and Eurasia was equal to 2.8%, in 2003 it was on the order of 6.5% (in Russia, 67.2% and 51.5%, in Norway, 4.9% and 18.7%, and in Great Britain, 15.8% and 12.9%, respectively). In 2003, compared with 2002, the oil production growth rates in Kazakhstan rose to 8.3%.

A comparative analysis of the changes in GDP dynamics and oil production in the republic for the past ten years shows that the development rates in this sphere are much faster than similar indices for the economy as a whole. The growth in GDP for this period amounted to 123.4%, and the oil production

Table 1

**The Oil and Gas Sector in the Republic's GDP,
1998-2002 (%)**

	1998	1999	2000	2001	2002
Gross domestic product	100	100	100	100	100
Oil and gas sector	6.5	9.5	13.7	12.8	13.8
Other sectors	93.5	90.5	86.3	87.2	86.2
Industry	24.4	28.2	32.6	30.6	29.5
Oil and gas sector	4.3	7.0	10.3	9.3	10.2
Crude oil and natural gas production, oil- and gas-production-related services	3.4	6.2	9.3	8.0	9.1
Oil refining	0.8	0.8	1.0	1.3	1.1
Other sectors	20.1	21.2	22.3	21.3	19.3
Construction	4.9	4.7	5.2	5.5	6.3
Oil and gas sector	1.6	1.8	2.4	2.6	2.5
Other sectors	3.3	2.9	2.8	2.9	3.9
Transportation	12.3	10.5	10.0	9.7	10.2
Oil and gas sector	0.6	0.7	1.1	0.9	1.2
Rail	0.2	0.3	0.4	0.3	0.4
Pipeline	0.4	0.4	0.6	0.5	0.8
Other sectors	11.7	9.8	9.0	8.8	9.0

Source: Republic of Kazakhstan Statistics Agency (RKSA), 2003.

growth rates (including for gas condensate) to 227.0%, which had a significant impact on raising industrial production and economic volumes as a

whole. This is confirmed by the rather high value of the correlation coefficient (0.942), which indicates that these indices are closely related.

Oil Production Growth Factors

Two factors are responsible for oil production growth in the republic. First, the significant increase in the inflow of foreign capital, particularly foreign direct investments (FDI) into the industry. Second, the favorable situation on the world raw hydrocarbon markets is having a tangible impact on the situation in the sector.

Let us take a look at the first of these factors. An extremely important aspect of economic reform is creating a favorable investment climate for attracting domestic and foreign capital. In our country, it is

one of the most attractive, not only in the CIS republics, but also among the Central and Eastern European states and the Baltic countries. For example, in the last eight years, Kazakhstan has leapt ahead of the other CIS countries in terms of how attractive its economy is to potential investors, the stability of its political system, and its access to financial resources. This is particularly confirmed by the fact that the republic is the first among the Commonwealth states to obtain an investment credit rating.

As a rule, an increase in investments eventually leads to an increase in their yield, which, in turn, is vital for supporting high economic growth rates in the country. An analysis of the global and regional shifts in capital shows that in the last eight years Kazakhstan has surged ahead of many countries and regions of the world in terms of FDI dynamics (see Table 2).

Table 2

**Dynamics of the Change in FDI in the World,
by Country Groups, and in Kazakhstan,
1995-2002 (1995=100%)**

<i>Region/Country</i>	1995	1996	1997	1998	1999	2000	2001	2002
Worldwide	100	113.8	145.2	206.7	325.2	419.8	248.3	196.2
Developed countries	100	106.9	131.1	229.6	400.9	544.8	286.5	223.8
Developing countries	100	129.6	172.7	171.0	204.9	219.9	187.2	144.9
Central Asia	100	124.0	187.7	181.1	148.8	113.1	239.5	243.8
Kazakhstan	100	117.9	137.0	119.5	152.7	133.1	292.8	265.7
Central and Eastern Europe	100	89.0	133.4	157.6	176.2	184.9	175.3	201.2
Russia	100	123.0	241.3	137.0	164.1	134.6	122.5	120.1

Sources: World Investment Report. Cross-border Mergers and Acquisitions and Development, U.N., New York and Geneva, 2000, pp. 283-287; World Investment Report. FDI Policies for Development National and International Perspectives, U.N., New York and Geneva, 2003, pp. 249-252.

As of 1 April, 2004, the gross input of FDI into the republic's economy amounted to 27.103 million dollars. More than 58% of the total amount of these funds received in 1993-the first quarter of 2004 went to the mining industry. In so doing, more than 52% of the entire amount of outside investments went to the production of crude oil and natural gas (see Table 3) and in specific years (for example 2002), more than 70% was used for this purpose. It is no secret that foreign investors are very interested in the raw material industries, especially the production sectors of the oil and gas and metallurgical industry.

Attracting FDI has its positive and negative aspects. They have already been analyzed in enough depth,¹ so without focusing too much attention on them, we will note that investment in the development of only one industry could lead to dystrophy in other spheres of the national economy.

The second important factor influencing the dynamics of oil production and production growth in the oil and gas industry, as well as throughout the economy, is the favorable price situation on the world commercial raw material markets, primarily the price of oil, which encourages the companies in question to expand their production and export volumes.

¹ See: B.D. Khusainov, "The Development of Oil and Gas in Kazakhstan: Present and Future," *Caspian Research*, No. 4, Anglo-Caspian Publishing, London, October 2002, pp. 46-52.

Table 3

FDI Attracted in Terms of Types of Economic Activity in 1993-2003
(*mill. doll.*)

	1993-2000	2001	2002	2003	1st qtr. 2004	1993-1st qtr. 2004	Structure (%)
FDI—total	12,562.2	4,556.6	4,105.8	4,595.7	1,282.7	27,103.0	100
Including:							
Mining industry:	7,841.2	3,088.9	2,123.4	2,187.8	599.5	15,840.8	58.4
<i>Production of crude oil and natural gas</i>	<i>6,303.0</i>	<i>3,059.5</i>	<i>2,070.8</i>	<i>2,113.5</i>	<i>582.3</i>	<i>14,129.2</i>	<i>52.1</i>
Processing industry:	1,766.4	642.7	832.4	993.7	179.6	4,414.8	16.3
Processing of agricultural products	409.3	89.6	64.9	37.0	-0.9	599.9	2.2
Metallurgical industry	1,034.0	389.1	575.1	624.2	131.3	2,753.7	10.2
Transportation and communication	160.0	161.1	95.2	75.8	-9.7	482.4	1.8
Financial activity	206.4	44.8	11.8	52.7	3.9	319.6	1.2
Real estate transactions, rental, services to enterprises	1,432.8	454.5	845.7	987.1	437.5	4,157.6	15.3
<i>Source:</i> Compiled according to the data of <i>Vestnik natsional'nogo banka Kazakhstan</i> , Almaty, April 2003.							

Oil Export

Kazakhstan, like Russia, Azerbaijan, and Turkmenistan, depends heavily on the export of energy resources. Since 1995, the export of raw hydrocarbons in our country has been steadily rising. For example, oil production in 1995-2003 increased 2.5-fold, and export (in kind) almost quadrupled. During this time, the volumes of oil and gas condensate export in value terms increased 8.8-fold (entire export, 2.5-fold), and in terms of its overall volume (12.9 billion dollars) from 15% in 1995 to 54.4% in 2003 (cf. Table 4).

As can be seen from Table 4, during 1995-2003, the percentage of crude oil export (including gas condensate) in its total production volume increased from 55% to 83%. Whereby for the past five years, this index fluctuated around the 80% level. Along with the upswing in the economies of the world's lead-

Table 4

**Oil Export (Including Gas Condensate)
for 1995-2003**

	1995	1996	1997	1998	1999	2000	2001	2002	2003
Export (mill. tonnes)	11.3	14.5	16.4	20.4	23.8	29.3	32.4	39.1	43.5
Percentage of export in the total production volume (%)	54.9	63.0	63.6	78.8	79.1	83.0	81.6	82.8	83.3
Percentage in the total export volume (%)	15.1	21.3	25.7	30.4	36.5	49.3	49.3	49.9	54.4

Source: Calculated according to the data of the Republic of Kazakhstan Statistics Agency.

ing countries after the financial crisis of 1997-1998, the high world prices for raw hydrocarbons as a whole had an impact on the level of Kazakhstani oil production and export.

A particular characteristic of domestic hydrocarbon export is its geographical vector. Oil and gas condensate are mainly sent to countries outside the CIS, whereby their percentage is steadily rising. For example, in 1998 these indices in kind amounted to 49.5%, and in value terms to 59.1%, and in 2002, to 77.4% and 86.9%, respectively. What is more, offshore zones are at the top of the list of importers. For example, export to the Bermuda and Virgin Islands (both British) amounted to 6.1% in kind in 1998 and to 33.9% in 2002, and to 7.2% and 42.5% in value terms, respectively. (In 2003, approximately 16% of the total export of hydrocarbons went to the CIS republics, all the rest "seeps out" to the "far abroad," mainly to offshore zones, primarily the Bermuda Islands.)

The reorientation to offshore zones was primarily caused by the following specifics in the development of the country's petroleum sector. The matter concerns the practice of transfer pricing adopted by oil companies (both foreign and domestic) when transporting raw hydrocarbons beyond the republic, which is essentially one of the ways to carry out "shadow" export of capital. Under Kazakhstan's conditions, as in other CIS countries, the transfer pricing mechanism intentionally adopted by large transnational corporations for exporting capital out of the country is acquiring increasingly refined forms. As a result of the manipulations carried out, it is very difficult to prove the affiliation of the sides participating in the transaction and consequently almost impossible to establish the fact that prices have been deliberately lowered. But a significant percentage of the republic's strategic resources is exported using precisely this method. By way of example, we will present a few calculations (see Table 5), which are very applicable to macroeconomic analysis.

According to our estimates, for 1998-2003, the potential losses from exporting oil using the transfer pricing mechanism amounted to 9,515,400 dollars. Taking into account the maximum marginal corporate tax rate of 30%, it can be maintained that during these years, the country's state budget lost 2,854,600 dollars in oil export revenue alone. If we add the losses induced by transfer prices in ferrous and non-ferrous metallurgy, this amount increases at least 1.5-fold.

In actual fact, the tax burden on oil producing companies is much lower. For example, according to the data of the republic's Ministry of Finance, in 2003 the net tax coefficient for the production of crude oil and natural gas, as well as for rendering services in these industries was an average of 17.2%. Contrary to elementary logic, this coefficient has been extremely low for large foreign oil companies in recent years. In particular, in 2002 for the Tengizchevroil Joint Venture, it dropped from 17.5% to 15%, and for CNPC-Aktobemunaigaz Open Joint-Stock Company from 22% to 15.4%. But as early as 2003, the net tax coefficient for these companies amounted to 21.5% and 29.6%, respectively. Nevertheless, the percentage of revenue from oil production in most countries of the world engaged in this industry is very high. For

Table 5

**Oil Export and Losses from Transfer Prices,
1998-2003**

	1998	1999	2000	2001	2002	2003
Export of crude oil, mill. tonnes	20.4	25.2	27.7	32.4	39.1	43.5
Average annual cost of export, doll./t	80.9	91.6	153.4	131.3	128.6	161.2
Average annual world price for Brent oil, doll./t	95.4	133.6	213.8	183.3	187.7	216.2
Losses from transfer prices, mill. doll.	295.8	1,058.4	1,773.1	1,684.8	2,310.8	2,392.5

Here: 1 t = 7.5 barrels.

S o u r c e: Calculated according to the OECD, RKSA.

example, in Indonesia, this index is equal to 88%, in Malaysia to 83%, in China to 60%, in Nigeria to 86%, in Angola to 85%, in Norway to 82%, in the U.S. to 52%, and in Great Britain to 33% (in the last two countries, this coefficient applies to fields with a production volume of up to one million tonnes a year).

In this way, despite the significant growth in oil export, a serious problem for the Kazakhstan economy is filling out the state budget. During the past nine years, the country's budget (in dollar terms) has swelled almost 1.9-fold. As we have already noted, in the same time, oil export in value terms increased almost 9-fold. Of course, an equals sign cannot be placed between these growth indices. But the budget is experiencing significant losses from tax and customs benefits, in particular, it is losing hundreds of millions of dollars from the use of the transfer pricing mechanism and the high percentage of the shadow economy in the GDP (23% in 2002).

After the Asian and Russian financial crisis (1997-1998), Kazakhstan's state budget revenue rose 1.7-fold, from 3,952,700 dollars to 6,700,800 dollars (in Russia it rose five-fold, from 20 billion dollars to 100 billion dollars). Of course, the budget indices of these countries cannot be compared in absolute terms. But the economies of our states have one thing in common, they are both "addicted to oil." It is thought that the significant increase in the Russian budget is related to the very low personal income tax rate (13%). In our country, since 1 January, 2004, the upper personal income tax rate has been equal to 20%. But taking into account the 10% mandatory payments to the Pension Fund, the maximum sum of contributions amounts to 28%.

In the final analysis, the low rate at which the state budget is being filled is having an effect on the social sphere, which is not experiencing any drastic changes in development. In so doing, average wages and real personal incomes are rising with each passing year, but this growth could be much higher were it not for the problems with filling the state budget.

Taxation of Subsurface Users

Since 1 January, 2004, certain changes have occurred in the system for taxing subsurface users. In general they are aimed at improving tax management and raising the transparency of relations between taxpayers and the state. The most significant innovations relate to the taxation of petroleum transactions,

which make it possible to increase the republic's budget revenue from subsurface users and at the same time introduce a more flexible and comprehensible taxation mechanism.

A major innovation is rent tax on exportable crude oil. What is more, the Tax Code sets forth a different procedure for calculating excess profits tax on subsurface users, as well as for calculating royalty rates (see Table 6). It is presumed that these measures will make it possible to significantly increase the country's revenue from the economy's raw material sector.

Table 6

**System for Taxing Subsurface Users
(as of 1 January, 2004)**

Type of payment	Description
Bonus	Varies depending on the contract
Royalties	A sliding royalty rate scale is set for oil depending on the export volume—from 2% at an export volume of up to 2 million tonnes to 6% at an export volume of 5 million tonnes and up in the tax period under account
Corporate income tax	30%
Compensation oil	PSA
Profit oil	PSA
State participation	PSA
Rent tax on oil export	Sliding-scale rate—from 1% at a price of 19 dollars a barrel to 33% at a price of 40 dollars a barrel and up
Profit distribution (excess profits tax)	Progressive rates based on internal rate of return (IRR): rates vary from 15% to 60% depending on the how much 20% of the IRR is exceeded

Source: Compiled on the basis of the Republic of Kazakhstan Tax Code.

Let's take a look at these amendments and addenda to the Tax Code from the standpoint of both a deterioration in the working conditions of subsurface users and in terms of natural resource rent extraction in favor of the Kazakhstan people.

Royalties

By nature, royalties are a way of extracting part of the natural resource rent. In international practice, the royalty rate reaches 20%, but it is more commonly applied within a range of 8-12%. Pursuant to Art 299 of the republic's Tax Code, the tax base for calculating royalties is the cost of the minerals. A sliding scale for these rates is set for oil producing companies depending on the accumulated production volume: from 2% at a production volume of up to 2 million tonnes and 6% for 5 million tonnes and higher for the current calendar year. In other words, the royalty rate in Kazakhstan is much lower than in other countries.

This rate is calculated depending on oil export sales and does not reflect the difference in production conditions at different fields. It is essentially simply a mineral production tax, that is, it does not have

anything to do with resource rent. In this respect, the new procedure for calculating royalties puts production companies at a disadvantage. The tax burden on these companies increases in reverse proportion to the field's profitability. For example, the burden increases on companies producing oil at difficult low-profit fields where there is no resource rent at all. There may even be cases when the oil production profitability is actually negative. So the development of small fields with high costs per production unit could be unprofitable, making it more advantageous to halt production on developed fields, whereby some of the oil is left in the ground.

To a significant extent, the Tax Code's shortcomings in calculating royalties are because the amendment writers do not understand (or are unwilling to understand) the gist of natural resource rent, or royalties as a way for extracting this rent. In our opinion, the royalty rate should essentially be determined on a different basis, proceeding from the rent assessment of the field. In the set of amendments and addenda adopted, there is no concept of field rent assessment at all. Instead, a concept of the cost of the minerals is introduced, which depends on price fluctuation. But the amount of rent does not depend on the sales price. If the rent of a certain field were three dollars a barrel, its amount would remain the same at any sales price and would still be equal to three dollars. In this respect, the royalty rate would ensure the extraction of three dollars of natural resource rent in favor of society.

In practice, specific royalty rates should be set by negotiations based on rent assessment, taking into account the oil production dynamics during the entire time the field was being developed and in operation. In world practice, subsurface user taxation systems make it possible to rake in 80% (and more) of the natural resource rent. At this juncture it should be noted that resource rent extraction should not be seen as an increase in the tax burden on production companies. This measure simply evens out the conditions of economic activity for all companies in this sphere, ensuring them a normal average profit. Minimum royalty rates can be set by legislation.

In this respect, it would be advisable to carry out rent assessment for each mineral field in order to determine royalty rates and bonuses; to view royalties as regular payments of natural resources, the rate of which is determined by assessing the potential or real rent revenue of the oil production companies; to set royalty rates for specific projects by means of negotiations; and to legislatively enforce the lowest level of these rates.

Excess Profits Tax

A certain innovation is also the introduction of excess profits tax on production companies, and the taxation target is that part of net revenue over 20% of the amount of permitted deductions. Excess profits tax is imposed on highly profitable enterprises in many countries and helps to significantly augment budget revenue.

Based on the gist of natural resource rent, it should be noted that with respect to extraction of the latter, like royalties, this tax does not work since it is only paid after production companies have a profit of higher than 20%, and rent forms at a lower level of profitability. What is more, due to the lack of transparency in the bookkeeping of these companies, it is always possible to artificially raise the amount of permitted deductions, which significantly lowers the tax base. For example, according to the republic's Accounting Committee, some production companies manage to write off up to 80% of oil costs to permitted deductions by taking advantage of various bookkeeping loopholes and accounting gaps.

Rent Tax on Exportable Crude Oil

All exporters of crude oil must pay rent tax on oil export (RTOE), with the exception of subsurface users working under Production Sharing Agreements. And its calculation is based on the cost of crude oil, which is determined from the actual export volume and market price of the raw material after with-

holding production and sales expenses and keeping in mind its quality. A sliding-scale rate is envisaged from 1% at a price of 19 dollars a barrel to 33% at a price of 40 dollars a barrel and higher.

RTOE is essentially a type of export duty aimed at fuller extraction of the excess profit which was obtained due to the increase in world oil prices. On the one hand, introduction of this tax solves the problem of transfer pricing, since the tax rate is determined on the basis of current world oil prices, and not on the actual sales price, which could be artificially lowered. On the other hand, rent tax makes it possible to extract that part of excess profit obtained due to an increase in world oil prices (compared with the prices adopted when drawing up the country's budget draft).

In this respect, RTOE actually replaces the mechanism of resource rent extraction with the export duty, which is a manipulation of public consciousness and another topic of discussion.

First of all, this is related to the fact that the new tax legislation only applies to new contracts. The old tax conditions still apply to companies working under contracts already in effect. On the one hand, this shows the government's firm intention to maintain stability in the tax sphere in order to ensure the country remains investment-attractive in the eyes of foreign investors. But on the other hand, all the advantages of the new system for taxing subsurface users, that is, significantly raising budget revenue from the raw material sector, are put off until the more distant future. If we keep in mind that contracts for developing most fields have already been signed, the amendments to the Tax Code are largely cosmetic and only serve to appease public opinion.

Second, if the definition of RTOE is carefully reviewed, not one of the characteristics defining the taxation target is rent-forming. In our case, natural resource rent itself vanishes as a taxation target, and the fiscal function moves into the foreground—the extraction of additional revenue obtained as a result of the change in world oil prices.

Let's take a look at two fields producing equal-quality oil but with different production costs. In our example (see Table 7), the rent at the first field amounts to three dollars a barrel. According to the amendments, the percentage of this tax in the rent amounts to 2% at a price of 19 dollars, 2.1% at 20 dollars, and a little more than 7% at 40 dollars. In this way, by introducing RTOE, natural resource rent remains at the disposal of the production company owners. Nor will the tax proposed resolve the problem of budget revenue stability, since at a price lower than 19 dollars a barrel (or a project profitability lower than 15%), there will be no budget revenues from this tax.

Under the taxation model currently in use, the first company paid corporate income tax on rent, which is included in profit. After paying taxes and mandatory payments, this company assimilates a rent of 2.1 dollars for each barrel of produced and sold oil. The amendments on taxing oil transactions increase budget revenue. At 20 dollars a barrel, this company brings an additional 0.6 dollars in rent tax and 2.91 dollars in excess profits tax to the budget. The total increase in tax revenues amounts to 3.59 dollars a barrel of exported oil. Correspondingly, the second company adds 1.66 dollars to the budget, including 0.98 dollars in excess profits tax and 0.6 dollars in rent tax.

As can be seen from the calculations, rent tax for the first and second companies is the same, and its amount does not depend on the mining, geological, and other conditions, but on the sales price. In actual fact, all other things being equal, the difference in amount of net revenue of these companies is defined by the amount of natural resource rent assimilated. As noted above, in our example, the first company assimilated 2.1 dollars in natural resource rent. But after the amendments on taxing oil transactions, it assimilates a natural resource rent of 1.67 dollars (approximately 80% of the natural resource rent). In this respect, it can be maintained that all the amendments to the Tax Code make it possible to extract no more than 20% of natural resource rent.

In this situation, rent tax, like royalties, raises the tax burden on less profitable fields. And companies that assimilate natural resource rent will continue to assimilate it, that is, be in a more privileged position. In other words, the problem of resource rent extraction has not been resolved. In so doing, it is important to note that resource rent is formed during oil production. It does not depend on where the oil is sold, in the country or beyond it. In the formulation proposed, companies operating on the domestic market are excluded from rent tax payers, or correspondingly the part of the oil produced that is sold on this market.

Table 7

**Provisional Calculation in Light of the Amendments to Tax Legislation
on Taxing Oil Transactions at a World Price of 20 Dollars per Barrel
(mill. doll.)**

	1st field*		2nd field			
	With the model in effect	With RTOE	With the model in effect	With RTOE	With RTOE	With RTOE
1. Total annual revenue	16.0	20.0	20.0	16.0	20.0	20.0
2. Royalties	0.39	0.52	0.9	0.39	0.52	0.9
3. Rent tax			0.6			0.6
4. Transportation expenses	5.0	5.0	5.0	5.0	5.0	5.0
5. Operational expenses	2.84	2.84	2.84	5.84	5.84	5.84
6. Amortization	0.82	0.82	0.82	0.82	0.82	0.82
7. Total permitted deductions	9.05	9.18	10.16	12.05	12.18	13.16
8. Taxable revenue	6.95	10.82	9.84	3.95	7.82	6.84
9. Corporate income tax	2.09	3.25	2.95	1.19	2.35	2.05
10. Total net revenue	4.86	7.57	6.89	2.76	5.47	4.79
11. Excess profits tax			2.91			0.98
12. Total tax revenues	2.48	3.77	7.36	1.58	2.87	4.53
13. Difference due to introducing RTOE and the new method of calculating excess profits tax			3.59			1.66
Net revenue after paying excess profits tax	4.86	7.57	3.98	2.76	5.47	2.31
Privatized rent	2.1	2.1	1.67			
Tax burden	15.5	18.85	36.8	9.88	14.35	22.65

* For the first field, original data presented by the developers in documents prepared for the deputies of the republic's Majilis (parliament) are used.

In this respect, it would be advisable to change the name of the RTOE tax, so as not to confuse anyone, otherwise, when the question of resource rent extraction is put on the agenda, it can be said that this law

already exists; to draw up a draft law on Natural Resource Rent, envisaging fixed rates of rent tax which do not depend on the price of minerals; and based on the nature of resource rent, to ensure the rates are independent of the price level and the company's profitability. It is not advisable to set a profitability level of 15%, for the amount of rent does not depend on the profitability of the enterprise, but on natural conditions; rent tax should apply to the entire volume of minerals produced, not only to those exported; and a law on Natural Resource Rent should be adopted which enforces the lowest rate of this tax. Its specific rate should be determined by negotiations with subsurface users (while issuing licenses and entering contracts) and encourage the extraction of no less than 60-70% of natural resource rent.

On the whole, the amendments on taxing subsurface users will play a positive role in raising the country's revenue from the raw material sector of the economy. In so doing, the negative impact of the new taxes will mainly be felt by small companies which cannot minimize expenses due to the production scale effect, as well as companies developing low-debit field. So it is highly likely that due to the high costs per unit on production, the mineral extraction coefficient will decrease. What is more, projects for developing small fields will become less investment-attractive. And the tax innovations will have less of an impact on profitable fields (with a high natural resource rent), since its privatization will make the project profitability much higher than on average throughout the national economy or in the mining sector. So the claim by several investors that the investment climate in Kazakhstan has drastically deteriorated does not hold water.

In this way, the amendments and addenda to the system for taxing subsurface users, which came into force on 1 January, 2004, do not resolve the main problems of resource rent extraction, which at present is essentially the only resource in capital accumulation. Rent extraction will make it possible to raise the rate of accumulation without increasing foreign borrowing and lowering public consumption. In this respect, in the mining sector, it is important to transfer from taxing the profit and revenue of subsurface users to rent taxation principles.

Development Prospects

For two (even three) decades now, domestic specialists have been talking about integrated oil refining. Of course, at the initial stage, the budget could accumulate significant funds from the export of crude oil too. But this stage is already drawing to a close, although perceptible shifts in the oil industry, apart from a simple increase in production, have not been forthcoming. It is clear that the raw material vector of the economy is heading into an impasse. It should not be forgotten that several years ago, the price of oil reached its lowest point—9 dollars a barrel.

We are justified in asking whether Kazakhstani oil refining products will be competitive on the world market. First of all, the domestic market will be fully provided for. What is more, the demand for polypropylene and polyethylene is rising in the world at an annual rate of 2-3%. According to the estimates, one ton of polypropylene currently costs 1,200 dollars and one ton polyethylene approximately 1,000 dollars. Countries which understand the profit this promises are actively (and successfully) finding their niche on this market. For example, China is building a 2.8-billion-dollar facility in Xinjiang for manufacturing these products. Beijing estimates that as early as the second year of operation, this enterprise will be able to put out 1.7-billion-dollars-worth of commercial product and saturate the Kazakhstani market.

Domestic specialists correctly believe that "we should take advantage of everything that can be gleaned from the production of oil, gas, and condensate." For example, the institutes of the republic's Academy of Sciences are making estimates taking a field approximately the size of Tengiz as the basis, that is, with an annual production of 12 million tonnes of oil and 6 billion of associated gas. Ten different

alternatives with respect to oil were analyzed: depending on the depth of refining, it will possible to receive between 847 and 982 million dollars in profit, and for gas, the “rawest” alternative presumes 362 million dollars in profit. The maximum alternative is up to 3 billion! So this is how budget revenues could be increased, oil will provide us with these possibilities.

It is obvious that natural resources and investments are having a definite impact on the dynamics of the republic’s economic growth. But dependence on exogenous factors, particularly on the fluctuations in world prices on the commercial and raw material markets, is making the export-raw material development model vulnerable. In his Message to the people of Kazakhstan, President Nursultan Nazarbaev noted in this respect that “this could lead to a loss of economic independence.” On the president’s initiative, a strategy of industrial-innovative development until 2015 has been drawn up and approved in the republic, the main task of which is to raise the GDP 3.5-fold compared with 2000.

GAZPROM OF RUSSIA IN THE CENTRAL ASIAN COUNTRIES

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Is Central Asia Russia’s “Gas Caliphate”?

Gas excess is what attracts Gazprom of Russia to Central Asia: it buys gas from the local countries to export it to Western Europe. Turkmenistan and Uzbekistan have already signed long-term agreements on selling nearly entire gas excess to Russia; Kazakhstan will probably sign a similar document in the near future. Kyrgyzstan and Tajikistan have concluded with Russia long-term agreements on cooperation in the gas sphere, under which they farmed out to Gazprom their (negligible) gas sectors. Gazprom acquired the right to use their territories for gas transit.

Against the background of Gazprom’s hectic activity in the CIS countries (with political support of the RF government) the Central Asian countries have already become the most integrated part of the “gas-unified U.S.S.R.” For the countries that use Central Asian gas today or will use it in the future (Ukraine, in the first place) Russia’s monopoly is fraught with high prices and, more important still, political pressure. Having captured the Central Asian gas market Russia will turn its attention to the countries, across which gas reaches Europe (Ukraine, Belarus, Moldova). If joint ventures on Russian conditions are set up on the basis of Beltransgaz and the gas transportation consortium of Ukraine, Moscow will impose its gas prices on the EU. The European Union’s growing requirements and Russia’s monopoly on gas deliveries from the CIS countries to Europe will, finally, send the gas prices up on the Eurasian market.

Our reasoning is based on an analysis of Russia’s expansion to the gas sector of the Central Asian countries. Their highly autocratic regimes, poverty, demographic problems, as well as the efforts to Islamize the local countries are fraught with military, ethnic, and religious conflicts.

The proven gas reserves in Central Asia are about 5 trillion cubic meters (tcm); this allows the local countries to step up gas production. The republics are rich in other strategic raw materials, oil in the first place (up to 7 percent of world's resources). Today the republics produce up to 2 percent of the world's total and are stepping up oil production.

Domestic instability and mineral riches attract the leading countries, the United States and Russia being the main actors on the local scene. The latter has established its control over the region's larger part mainly because of its geographic proximity and its expansion to the gas sector.

On 1 March, 2002, the presidents of Russia, Kazakhstan, Turkmenistan, and Uzbekistan signed a joint statement on cooperation in the energy sphere and on protecting the interests of the countries that produce natural gas. This document stated in particular that large-scale cooperation in gas production and transportation was objectively caused by not only the four countries' traditional cooperation in the fuel and energy sphere but also by accelerated globalization and internationalization of the world economy.

Russia's impressive gas breakthrough in the southern direction achieved in 2002 and 2003 was made possible thanks to the long-term agreements it signed with the largest gas producers in Central Asia (Turkmenistan and Uzbekistan). Kazakhstan, in turn, set up a joint venture with Gazprom engaged in gas export; in the near future it will sign an agreement on gas production. It should be said that recently the Central Asian countries tried to reach the West European markets independently with modest results; they had to act through intermediaries. Gazprom promised to let the Central Asian countries sell their gas to Western Europe; it sells small amounts of gas from Kazakhstan, yet it is contrary to its interests to start importing gas to the West in large amounts. This will not happen: this Russian company controls practically the entire amount of gas sold by these countries. Over time, Gazprom expects to buy from them over 100 billion cubic meters (bcm) every year. (In 2003, it bought up to 7.4 bcm of gas; in 2004, it concluded contracts for buying nearly 17 bcm for the price of \$40-45 per 1,000 c m.)

Alexei Miller who heads Gazprom said in the European Parliament: "The West has no alternative to Russian gas." This is not a declaration: this is part of the aggressive policy pursued by the Russian monopolist that works hard to eliminate any possibility of Central Asian competition. The long-term agreements have partially achieved this. By the same token Moscow strengthened its positions in Europe as the key supplier of gas to the EU countries and improved its positions at the WTO talks.

Russia Says to Ukraine: No More Waiting in Line for Turkmenian Gas

For some time Turkmenistan was successfully realizing its gas politics by meandering between Russia and Ukraine, its two main customers. It even improved its relations with Gazprom's new leadership. Ashghabad exploits the rivalry between Moscow and Kiev to raise prices for all customers: while in the past Gazprom refused to pay \$38 per 1,000 c m, today it pays \$44 for the same amount.

Today, Ukraine relies on Turkmenistan for gas supplies. To pay for the construction projects and equipment supplied by Ukraine and according to the bilateral reference agreement Turkmenistan will supply 36 bcm of gas to Ukraine every year until 2007. Moscow annually supplies 24 bcm of gas to pay for the transit of Russian gas across the Ukrainian territory.

Having signed a medium-term agreement for the period of five years with Turkmenistan, Ukraine seemed to ensure uninterrupted gas supplies. On 10 April, 2003, Moscow having signed a long-term agreement for 25 years with Ashghabad not only won the many-year race for the Turkmenian gas but also created a lot of problems for Kiev where gas deliveries are concerned.

Later, and somewhat unexpectedly, Turkmenistan signed a four-year agreement with the International Group of Companies Itera on annual deliveries of 10 bcm, which aggravated the problem. Along with the old 25-year-long contract with Iran (that expires in 2018) and the country's obligation to send

30 bcm of gas every year to the Trans-Afghan gas pipeline to Pakistan (the pipeline is to be commissioned in 2010) these numerous contracts pose a question: Will Ashghabad be able to fulfill all obligations under all contracts?

Kiev will hardly extend its gas contracts for another 25 years to continue getting the same amounts of gas: the visit of the president of Ukraine to Turkmenistan scheduled to sign this agreement was postponed for the fourth time. Even though Ashghabad did not give Moscow the monopoly on buying its gas (which Moscow had expected), thus giving hopes to other consumers, it was highly doubtful that the country was able to fulfill the already signed contracts.

On 11 April, 2003, the presidents of Ukraine and Turkmenistan met in Turkmenbashi to discuss an important question: How will the ever-growing volumes of Turkmenian gas be transported? The functioning pipelines Central Asia-Center (CAC) are loaded to the maximum, while their technical state is appalling. The pipelines need modernization and extension; we also need a Caspian pipeline to move gas from Turkmenistan to Kazakhstan and Russia.¹

This raises at least three questions. First, will Ukraine and Turkmenistan sign an agreement (even if partial)? Second: Will Ashghabad be able to fulfill it? Third: Will it be possible to transport gas through the CAC if the agreement is signed and Turkmenistan increases gas production accordingly? Today, Turkmenistan fails to fulfill its contracts with the Itera because Gazprom, the deliveries operator, refuses to transport the gas because of shortage of transporting capacities of the CAC.

By 2007 Ukraine may become completely dependent on gas deliveries from Russia. This should not be taken to mean that the country will be left without fuel: there is enough gas in other CIS countries. The conditions of gas deliveries may arouse doubts. Gazprom of Russia has concentrated nearly entire gas export potential of the Central Asian countries. Will monopoly on gas and gas pipelines become an instrument of pressure on Ukraine when and if a gas transportation consortium is set up in it?

Possible long-term agreements on strategic cooperation in the gas sphere among Kiev, Ashghabad, Astana, and Tashkent supported by the involvement of the National Joint-Stock Company Neftegaz Ukrainy in prospecting, production and transportation of gas from Central Asia would allow Ukraine to ensure gas deliveries for a long-term perspective. This is an absolute priority for our national company.

Ukraine still has to create a complex strategy of cooperation with the Central Asian countries, which means its involvement in prospecting and production, modernization and extension of the CAC and laying a new gas pipeline (the Caspian pipeline). Kiev should take part in building infrastructure and offering service support; it should supply equipment and build facilities not directly connected with the gas sector but paid for with gas, etc.

In 2004 it is necessary to sign long-term agreements on gas supplies with Turkmenistan, Kazakhstan and Uzbekistan—on the volumes left after the Gazprom contract. The gas transportation problems should be settled with Russia.

If the Central Asian republics want to produce and sell to Europe more gas they should coordinate their extraction efforts, add more capacity to the CAC, and build the Caspian pipeline with the help of Ukraine and Russia, two gas importers.

The Gas Sector of Turkmenistan

Turkmenistan is the second, after Gazprom, producer and exporter of natural gas in the CIS. There are 127 gas fields in the republic and in its part of the Caspian shelf with the total initial reserves of 22.5 tcm; the proven reserves are 2.86 tcm. Dauletabad with 1.3 tcm and Iashlar with 0.76 bcm are the

¹ This main pipeline will move 30 bcm of gas; it will be 1,050 km long; preliminary cost is \$1 billion. Turkmenistan is prepared to pay for the stretch on its territory; Ukraine is prepared to pay for 780 km. It is expected that the pipeline will be commissioned in 2007; Ukraine has already been working on feasibility studies.

largest gas fields. According to experts, the Turkmenian shelf contains 5.5 tcm of gas.² The gas reserves should be carefully assessed to acquire true information about them. It is expected that in 2004 an American and a British company will start working in the southeast of the republic.³ It should be added that contracts for gas deliveries and construction of new pipelines should be based on the figures of proven, rather than hypothetical reserves.

The state company Turkmenengaz is responsible for 85 percent of gas production. The republic plans to greatly increase production and export of gas. Unfortunately, life often corrects ambitious plans.⁴

There are two systems of export gas pipelines in the republic. One of them brings gas from the eastern fields by the CAC (across Uzbekistan and Kazakhstan) to Russia and further on to Ukraine. Its total length within Turkmenistan is 3,940 km with five compressor stations (Dar'ialyk, Il'ialy, Karakumy, Pustynnaia, and Shatlyk). The second line moves gas from the west of the country to Iran.

Table 1 offers Turkmenistan's assessed hypothetical gas balance correlated with certain assumptions.⁵

An analysis of the figures shown above suggests several important conclusions. First, the country's plans are not supported by its proven reserves. Under the signed and planned contracts the republic should have about 3.6 tcm, which is much more than its officially declared proven reserves (2.86 tcm). Complete auditing will probably move the official figures closer to the BP assessment (2.1 tcm).

Second, starting in 2007 Ashghabad will be unable to deliver the old amounts of gas to Ukraine (irrespective of whether the contract is signed or not). Ukraine will have to stop exporting 5-6 bcm it exports now and start looking for other sources of gas. It is wise to start buying gas in Kazakhstan and Uzbekistan on the basis of long-term agreements.

Resources of Uzbekistan

The country is the 16th in the world where its proven gas reserves are concerned (BP assessment); the 10th among the world's gas producers and the 3rd among the CIS countries.⁶

In July 2001 LUKoil-Overseas and Itera signed a preliminary contract with Uzbekneftegaz on developing the gas fields of the Bukhara-Khiva oil and gas region with the total hypothetical reserves of up to 250 bcm and on prospecting in the Kungrad block of the Ustiurt Region (the two companies will receive 45 percent each, the remaining 10 percent will belong to the Uzbek firm). Under this project, known as so-called Kandym project⁷ (realized within a production sharing agreement) the companies will produce up to 9 bcm of gas every year (at the first stage production will be limited to 2-2.5 bcm).⁸

² According to *BP Statistical Review of World Energy*, June 2003, as of late 2002 the proven gas reserves were 2.01 tcm; Turkmenistan's own assessments are 2.86 tcm.

³ Auditing (that costs \$1.1 million) may reveal that the gas reserves were overstated. Auditing ordered to assess the possibility of laying the Trans-Afghan gas pipeline will make it possible to estimate the total gas reserves on the basis of the exact figures.

⁴ In 2002, the republic produced 53.5 bcm of gas (an increase of 3.9 percent as against the previous year); in 2003, 59.09 bcm (11 percent more than in 2002); the country exported 43.4 bcm, or 10 percent more than in 2002. In 2004, it is planned to produce 74 bcm; to export 58 bcm. By 2010 it is planned to produce 120 bcm.

⁵ After 2010 the republic should increase gas production every year by 5 bcm (the 2010 level corresponds to the republican plans). Domestic consumption will not considerably increase. Ukraine will extend the present contract for 25 years more with the same delivery volumes. Russia will get the minimum possible contracted amounts. The Trans-Afghan pipeline will be commissioned in 2015 (instead of 2010 as was planned).

⁶ The figures by the end of 2002 are the following: proven natural gas reserves—1.87 tcm; industrial reserves, over 1 tcm. The country has a wide network of main gas pipelines of the total length of over 13,000 km with the stretches of export pipelines (CAC and Bukhara-Urals). In 2002 the Uzbekneftegaz produced 57.672 bcm of gas (1.8 percent more than in 2001). In 2003, the country produced 57.481 bcm of gas (0.3 percent less than in 2002). By 2010 Uzbekistan plans to export 20 bcm of gas.

⁷ The project is named according to the largest gas field with the reserves of up to 100 bcm.

⁸ The project also includes construction of a gas chemical plant with the capacity of 6 bcm, two compressor stations; 200 km of a main pipeline and other infrastructure facilities. The Russian companies are expected to invest \$760m out of the total \$960m. The share of Itera that had withdrawn from the project was redistributed among the other participants. It is expected that Gazprom may join the project, too.

Table 1

Hypothetical Gas Balance of Turkmenistan

Years	Forecast,* bcm			Export, bcm/y				Balance deficit/surplus, bcm
	Gas production	Domestic consumption	Gas export, total/via Russia	Ukraine	Gazprom	IGC Itera/starting in 2015, Pakistan	Iran	
2003	59.1	15.7	43.4/36.4	34.4	—	2.0	7	0
2004	74.0	16	58/51.0	36	5	10	7	0
2005	78	16	62 /55	36	6-7	10	7	+3
2006	80	16	64/57	36	10	10	7	+1
2007	90	17	73/66	36 (?)	60-70	10	7	-40
2008	100	17	83/76	36 (?)	63-73	(?)	7	-23
2009	110	17	93/86	36 (?)	70-80	(?)	7	-20
2010	120	18	102/95	36 (?)	70-80	(?)	7	-11
2011	125	18	107/98	36 (?)	70-80	(?)	9	-8
2012	130	18	112/100	36 (?)	70-80	(?)	12	-6
2013	135	19	116/104	36 (?)	70-80	(?)	12	-2
2014	140	19	121/109	36 (?)	70-80	(?)	12	+3
2015	145	19	126/109	36 (?)	70-80	5 (?)	12	+3
2016	150	20	130/105	36 (?)	70-80	12 (?)	12	0

*2003 — actual figures.

Table 1 (continued)

Years	Forecast,* bcm			Export, bcm/y				Balance deficit/surplus, bcm
	Gas production	Domestic consumption	Gas export, total/via Russia	Ukraine	Gazprom	IGC Itera/starting in 2015, Pakistan	Iran	
2017	155	20	135/103	36 (?)	70-80	17 (?)	12	0
2018	160	20	140/103	36 (?)	70-80	22 (?)	12	0
2019	165	21	144/102	36 (?)	70-80	26 (?)	12(?)	0
2020	170	21	149/107	36 (?)	70-80	30 (?)	12 (?)	+1
2021	175	21	154/112	36 (?)	70-80	30 (?)	12 (?)	+6
2022	180	22	158/116	36 (?)	70-80	30 (?)	12 (?)	+10
2023	185	22	163/121	36 (?)	70-80	30 (?)	12 (?)	+15
2024	190	22	168/126	36 (?)	70-80	30 (?)	12 (?)	+20
2025	195	23	172/130	36 (?)	70-80	30(?)	12 (?)	+25
2026	200	23	177/135	36 (?)	70-80	30 (?)	12 (?)	+30
2027	205	23	182/140	36 (?)	70-80	30 (?)	12 (?)	+35
2028	210	24	186/144	36 (?)	70-80	30 (?)	12 (?)	+40
Total in all directions, tcm	3.667	0.492	—	0.900 (from 2004 to 2028)	1.544 (from 2004 to 2028)	0.392 (from 2004 to 2028)	0,262 (from 2004 to 2028)	

Note: Question mark (?) means that the contracts for gas deliveries have not yet been signed.

In December 2002 Gazprom and Uzbekneftegaz signed an agreement on strategic partnership that envisaged deliveries of Uzbek gas to Russia between 2003 and 2012 (about 87 bcm in all). The companies also agreed on cooperation in gas production within a production sharing agreement (in the Shakhpa-khty gas field, which may yield up to 10 bcm of gas every year). Today, Gazprom has already squeezed Itera, which plans to close its office in the republic, out of Uzbekistan.

In 2003, the republic exported nearly 7.5 bcm of gas, mainly to Russia. Until 2007 export will increase at the expense of the already functioning gas fields; starting in 2010, at the expense of newly developed gas fields of the Ustiurt Region. Tashkent has ambitious plans for its gas industry and transportation network, yet it changes the rules of the game too often and pursues a rather contradictory policy in the field of foreign investments. There is no agreement inside the country about liberalization and privatization of its gas sector.

Uzbekistan needs investors for its prospecting and production projects and extending its transit capacities. This cannot be done for several reasons: the republic's relations with the neighbors (especially with Turkmenistan) are far from simple. Meanwhile, its ambitious plans of increasing its gas exports by 2020 by more than 275 percent as compared with 2003 requires effective diplomatic efforts, mutually advantageous cooperation with the neighbors and investors.

There is no doubt that Gazprom will control all processes in the gas sector and will be directly involved in them. It should be said that despite the negative attitude to it of certain countries and traders the company (supported by Russia's leadership) will be able to cope with Uzbekistan's problems in the gas sphere created by regional contradictions and conflicts. It is for Tashkent to try to get maximum profits offered by this cooperation.

Kazakhstan's Prospects

The mineral and raw material riches of the republic are unique. This is what its economic potential is based on. It has, in particular, over 200 oil and gas fields, mainly in its western part. Kazakhstan is the world's 17th country where the proven natural gas reserves are concerned.⁹ Its proven gas reserves on the continent are 3 tcm; they are mainly oil and gas condensate fields. Unfortunately, in the absence of a system of gas utilization nearly one-third of gas is lost in the process of oil production.

Kazakhstan is the fifth largest gas producer in the CIS, coming immediately after Ukraine, which is the fourth. (In 2004 Kazakhstan plans to produce 16 bcm of gas.¹⁰) By 2010 the republic plans to produce 70 bcm mainly from three world's richest fields: Karachaganak, a gas condensate field; Kashagan and Tengiz, two oil fields. Fifteen or twenty years later when Astana, according to its plans, produces over 100m tonnes of oil it will produce between 60 and 70 bcm of associated gas. Its complete utilization will increase the country's export potential.

On 7 June, 2002, Gazprom and the KazMunaiGaz National Company set up a JV KazRosGaz on the parity basis and registered it in Kazakhstan. The new company is involved in studying the markets of natural gas and its products; ensuring continued functioning of gas processing plants; creating condition for gas transportation; selling gas on the domestic and foreign markets; commissioning new transportation capacities and infrastructure. Gazprom has not yet acquired exclusive rights to buy the surplus of Kazakh gas but the new joint venture allows it to realize such right to a considerable extent.

For many years the republic has been receiving gas from Tiumen; it is bought by the Kostanay and South Kazakhstan regions unconnected with the main gas fields inside the republic. Recently, gas supplies from Russia reached 1.2 to 1.5 bcm. Russia, in turn, buys gas from Karachaganak and Tengiz.

⁹ As of late 2002 the proven reserves of natural gas were 1.84 tcm; hypothetical reserves on the continent and the Caspian shelf have been estimated at 8.3 tcm. The republic uses a system of transit main pipelines (over 9,000 m long) to move its gas to European Russia, Ukraine, the U.K. and the Southern Caucasus.

¹⁰ In 2003 the republic produced 14 bcm.

In the past, Gazprom and other Russian companies exploited Russia's monopoly on export pipelines to buy gas for the extremely low price of \$8-12 per 1,000 c m, and sold it for over \$50 per 1,000 c m. Starting in 2003 the prices are becoming more balanced. In 2003, the JV KazRosGaz planned to buy up to 7 bcm of gas, that is, the entire amount produced by Karachaganak; 1.3 bcm of this amount was to return to Kazakhstan. This operation is technologically impossible, therefore Kazakh gas is replaced with Russian gas on the mutual exchange basis.

In the middle-term perspective it is planned to move gas from Kazakhstan to the CIS and European markets across Russia. At the same time, other alternatives are also discussed: across the Caspian via Turkmenistan, Azerbaijan and Georgia to Turkey, and to China and India. This can be realized in the distant future.

Kazakhstan is the only large gas producer in Central Asia that has not yet signed a long-term agreement with Gazprom, therefore Moscow invites Astana to sign a corresponding document for 20 years in 2004. Gazprom offered the following conditions: it wants up to 15 bcm of gas from Karachaganak for processing and selling and a share in selling gas from Tengiz and Kashagan.

Today, Astana profits from cooperation with Moscow since with the help of Russia the republic has already reached the West European gas markets and is gaining the larger share of the South Caucasian market. Kazakhstan, like Uzbekistan, is still trying to independently emerge on the European market. So far, this market is represented by Ukraine: in 2003 Neftgaz Ukrainy brought from Kazakhstan and Uzbekistan over 1 bcm of gas.

At present, the rates of Central Asian gas production and gas exports outstrip the rates of modernization and development of the transportation systems. The main pipeline system that connects the region with Russia, the CAC, is overloaded. This is true of the pipelines used by the three main gas exporters: Turkmenistan, Uzbekistan, and Kazakhstan.

The Problems of Reconstruction of Main Pipelines

Today, gas from Turkmenistan, Uzbekistan and Kazakhstan is exported to Russia and Europe by the CAC¹¹ stretches belonging to the corresponding states. The system can no longer cope with the load (in the past it was used only for Turkmenian gas). The pipeline is old and is approaching its exploitation limit of 33 years. Today, its maximum annual capacity is less than 50 bcm. Starting in 2003, under the corresponding agreements with Uzbektransgaz and Intergaz-Central Asia, Gazprom has been acting as an operator; it is its task to deliver Central Asian gas to all European consumers (except Ukraine).

In April 2003 a special Gazprom commission studied the Turkmen part of the CAC and decided that its loading capacities had lowered to 44-47.5 bcm of gas a year. In the first decade of April 2004 experts of Gazprom and Turkmengaz, in an effort to increase gas export, met in Ashghabad for consultations about the reconstruction of the main pipelines. Joint actions of the two countries are envisaged by an agreement on cooperation signed by the presidents in April 2003.

Kazakhstan has no ramified network of pipelines that prevents it from fully using produced gas. The larger part of the existing pipelines is too old to be loaded to capacity; they need reconstruction that, in turn, requires investments.

The total throughput capacity of the republic's pipelines is over 50 bcm, 42 bcm of which are moved by the main pipelines.¹² In 2001-2002, KazTransGaz reconstructed the key stretches at the cost of over \$230m; in fact all pipelines, which have been in operation for over 20 years, need similar treatment.

¹¹ The first line was built in 1966 to be used for moving gas from the southeastern gas fields of Turkmenistan.

¹² About 3,939 km of the CAC run across the territory of Kazakhstan.

Astana decided to pay for the modernization of the Kazakh stretch of CAC in order to in 2005 to move up to 50 bcm of Turkmenian gas annually, up to 3 bcm of Uzbek gas, and up to 7 bcm of its own gas by it.

According to the Kazakh team, if everything that should be done is done the throughput capacity of the stretch will increase to 60 bcm of gas. Experts are convinced that modernization of the CAC and its extension will increase its maximum annual throughput capacity to 70 bcm of gas.

The Uzbek stretch of the main export pipeline can carry no less than 46 bcm a year; since it is used for both Uzbek and Turkmenian gas its annual throughput capacity should be increased to at least 50 bcm. So far, the republic is unable to pay for the necessary construction projects. According to the Uzbektransgaz experts, a new branch of the export pipeline will cost \$0.7 billion. Privatization is one of the answers (it was back in 2001 when it was planned to auction 44 percent of shares of the transportation system). Gazprom is one of the most eager buyers.

Table 1 suggests several conclusions about the current throughput capacity of the CAC (that is not more than 45 bcm) and the expected exported volumes of Turkmenian gas alone (51 bcm).

First, in 2004 the system will not cope with moving Turkmenian gas; the weakest link (less than 46 bcm) is found in Uzbekistan.¹³ Second, even if all republics manage to repair and reconstruct their stretches to the minimum extent they will merely postpone the need to address the problem in earnest. Third, to transport Turkmenian, Kazakh, and Uzbek gas to Russia and Europe (the total volume of which may exceed 75 bcm in 2005) it is necessary to increase the annual loading capacity of the CAC to 100 bcm in the next twelve or eighteen months. This project (that costs about \$3 billion) should be realized in 2006-2007. Fourth, time has come to complete two lines of the Caspian pipeline: the first line (30 bcm) should be completed in 2005-2006; the second, with the same throughput capacity, in 2008-2009.

The Gas Sectors of the Central Asian Users of Gas

Tajikistan, Kyrgyzstan, and Afghanistan (so far its economy remains completely ruined) are users of local (mainly Uzbek) gas. Moscow looks with a great deal of interest at Dushanbe and Bishkek because of their neighbors (Afghanistan, China, and Pakistan) and because they can be included in its political orbit. In the energy sphere Russia wants to control the fuel flows among countries.

The proven reserves of Tajikistan are negligible; annual production is 24 mcm; the produced gas is used in the south of the republic. On the whole, the country imports Uzbek gas to be used in the north (in 2002, 485 mcm were imported). The hypothetical reserves are over 1 tcm.

On 15 May, 2003, the government of Tajikistan and Gazprom signed an agreement on strategic cooperation in the gas sphere for 25 years; its priority spheres are: gas exploration and prospecting; development of gas fields, construction, reconstruction and exploitation of gas pipelines; gas processing, transportation and selling, etc. On the whole, the republic is of little interest for Gazprom, yet it has been made part of the general plan of "restoration of the gas-bound U.S.S.R."

Kyrgyzstan has much more gas: its proven reserves are estimated at 5.7 bcm; they are hard to extract, however, because of difficult geological conditions and undeveloped infrastructure. Today, the republic produces nearly 30 mcm every year and uses 0.7 bcm of gas. The total length of its pipeline system, including the distribution networks, is 600 km. In 2003, the republic used gas delivered from Uzbekistan (its total gas-related debt to this republic is \$11 m). Bishkek believes that it is much more profitable to use Russian gas delivered by the main pipelines of Uzbekistan and Turkmenistan.

On 16 May, 2003, the head of Gazprom and the prime minister of Kyrgyzstan signed a long-term agreement on cooperation in the gas sphere, its main priorities being: gas exploration and prospecting;

¹³ On 25 November, 2003 head of Itera I. Makarov asked Gazprom to ensure transportation of 7 bcm of gas from Turkmenistan via Uzbekistan for his company. Gazprom refused for want of "idle capacities."

development of gas fields, construction, reconstruction and exploitation of main gas pipelines and other infrastructure facilities; transportation of gas and gas supplies to join projects, import of Russian gas to Kyrgyzstan.

In January 2004 the sides agreed on the plan of priority measures: the volumes and dates of the planned facilities; the forms of cooperation in reconstruction, construction and exploitation of facilities; the direction of gas exploration and development of gas fields, as well as the list of supporting services.

On 9 April, 2004, the heads of Gazprom and Kyrgyzneftegaz discussed the question related to the transfer of the state block of stocks (85.16 percent) of Kyrgyzneftegaz to the Russian side for trust management. This project allows Gazprom (that is, Russia) to establish its full control over the republic's gas sector and to use its territory to move the Uzbek gas to Kazakhstan.¹⁴

Bishkek insists that Kiev has failed to pay its debt of about \$25m dated from the late 1980s and early 1990s when the U.S.S.R. Central Bank introduced clearing payments. Today, this may interfere with the Ukrainian plans of joining the WTO. Kyrgyzstan wants the debt repaid in any form, while Ukraine wants to first check the figure and repay with fuel and energy equipment and construction services in the fuel and energy sphere.

The hypothetical gas reserves of Afghanistan assessed by Soviet specialists in the 1970s are about 150 bcm. Gas production in this country reached its peak (about 4 bcm a year) in the 1970s; 70 to 90 percent of the produced gas went to the Soviet Union via Uzbekistan. Today, the country's economy is completely ruined, restoration being hindered by continued armed clashes.

Today, Afghanistan is mentioned when it comes to discussing the project of gas transportation from Turkmenistan to Pakistan. In May 2002, Ashgabad, Islamabad, and Kabul adopted a decision on building a Trans-Afghan gas pipeline nearly 1,500 km long. It was expected to start at Dauletabad in Turkmenistan, reach Kandahar in Afghanistan to end at Multan in Pakistan. The line's preliminary cost was up to \$2.5 billion.

Recently, Pakistan has been exhibiting less interest in the project for several reasons: first, hostilities are still going on in Afghanistan; second, Turkmenistan overestimated its potential ability to load the pipeline; third, in the next 25 years Russia, that is not interested in the project, will remain in control of the gas sector of Turkmenistan and Central Asia. Fourth, Pakistan received much more real and economically advantageous offers of gas export from Iran. The talks started back in 1990; the corresponding project was elaborated with the help of the BHP of Australia. Its realization was postponed for several reasons. On 26 April, 2004 a group of experts from the Ministry of Oil and Natural Resources of Pakistan visited Iran to have a look at the Southern Pars gas fields and to discuss the project's technical aspects. The Iranian alternative of the pipeline that will cost \$2.5 billion is nearly ready. At the same time, the sides agreed that each of them would pay for its stretch. They have started discussing the final variant of the route.¹⁵

Gazprom likes the project for the simple fact that it will detract Iran from Europe, and Ukraine, in the first place.

Back to the U.S.S.R.—So Far Unified by Gas

Russia's expansion to the Central Asian gas sphere will lead to certain geopolitical consequences. Having realized that control over the gas markets of the CIS and EU enhances its influence, Mos-

¹⁴ On the other hand, KazTransGaz suggested that a Kyrgyz-Kazakh joint venture be set up to restore and use the Kyrgyz stretch of the Bukhara-Tashkent-Taraz-Bishkek-Almaty gas pipeline. It is expected that its authorized fund will be formed, on the parity basis, from Kazakhstan's investments in the restoration of the existing stretch of the pipeline and building a new pipeline, and from Kyrgyzstan's stretch of the pipeline. If Kyrgyzstan refuses to form the JV, Kazakhstan plans to build a by-pass that will cost it \$70m (the existing main pipeline between Uzbekistan and Kazakhstan crosses the Kyrgyz territory in three places).

¹⁵ Islamabad demanded that Tehran guarantee the volumes needed to load the new pipeline. "We want to see with our own eyes that there is enough gas in Southern Pars. We do not want a repetition of the Trans-Afghan project. We planned to import Turkmenian gas from the Dauletabad fields when we discovered that Russia had earlier claims to it," said a highly placed Pakistani official.

cow will use this factor to build up a “gas Union” that over time may transform into a new U.S.S.R. under its aegis.

While the United States was busy in the Caspian oil sector and Iraq, while the EU was very much concerned with its enlargement Russia has been completing a “liberal empire” in one individual branch of the CIS—gas industry. To complete the task Moscow needs Gazprom to deal with certain “intermediary” tasks: a 30-year-long concession on the Ukrainian gas transportation system; a Beltransgas-based Russian-Belorussian JV on Russian conditions; and 25-year-long agreement with Kazakhstan on strategic cooperation in the gas sphere.

Today, Russia is, in fact, completing monopolization of the gas sectors of the Central Asian republics (see Table 2). Having created the “gas caliphate” Moscow will start building in earnest “the gas-unified U.S.S.R.” out of Ukraine and Belarus. Today, these countries have nobody to rely on; to preserve stable gas supply they should preserve their control over the Russian gas transit across their territories.

Possible Consequences of the “Gas Caliphate”

1. If the Central Asian countries transfer their gas sectors to Russia they will damage their economies and will deprive themselves of independent political decision-making. The current situation in this sphere is a result of several factors. First, political instability in each of the countries and the region as a whole. Second, the privileges Russia extends in the economic, political, and military sphere. Third, the local states’ inability to independently develop their gas fields on a large scale, to maintain them in working condition and to build up transport capacities. Fourth, the current political risks are keeping foreign investors (with the exception of Russia) away. In addition, before reaching the world markets nearly the entire amount of Central Asian gas has to cross Russia. Fifth, the Central Asian countries may use gas to pay for armaments, equipment, consumer goods and foodstuffs and, on the whole, to preserve their undemocratic regimes.
2. If Gazprom captures the transportation systems, Russia will acquire complete control over the gas industry, gas exports, in the first place. This, in turn, is fraught with serious consequences. Russia will become the largest gas exporter and will use Central Asian gas for its domestic purposes and for re-export. It will probably move the gas to its territory to maintain its fuel and energy balance, in the first place. Possible incomes created by transit of small amounts of Central Asian gas to third countries will be of secondary importance. Moscow will do its best to minimize these amounts so as to exclude competition. Kiev has already felt this. Ukraine will suffer most from the absence of Central Asian gas in the market. Under Moscow’s pressure, and without another choice, Kiev might retreat in this (agree to a gas-transportation consortium) and other sectors, including the political sphere. The EU will also feel Moscow’s monopoly on the Central Asian gas: it will get it through Gazprom alone. In other words, Russia will be able to impose its gas prices on the CIS users and impose its conditions on the transit countries (Ukraine and Belarus), two large gas importers.
3. Control over the Central Asian gas sector will allow Moscow to influence local policies; the small American military contingent stationed in Uzbekistan and/or other republics will be unable to prevent such influence. As a result, the local countries will be gradually drawn into Russia’s foreign policy orbit.
4. Russia’s economic and political influence in Central Asia, its active cooperation with Iran (one of the Central Asian neighbors), and its possible attempts at extending its influence on Afghan-

Table 2

Cooperation between the Central Asian Republics and Gazprom

Country	Nature of the agreement or contract (term of action)	Directions of Gazprom's work in the region's countries	JVs (share of Gazprom, in %%)	Volume of gas deliveries for Gazprom, bcm
Kazakhstan	Expected that a long-term agreement (for 25 years) will be signed in 2004	Gas processing, transit, sale and purchase	KazRosGaz (50 percent)	2003—6; starting in 2004, up to 15
Kyrgyzstan	Long-term agreement (for 25 years, starting in 2004) on strategic partnership	Prospecting, development and exploitation of gas fields; reconstruction, construction and exploitation of main pipelines and other facilities of the same complex; transportation and supplies of gas	It is planned to transfer the state block of stocks (85.16 percent) of Kyrgyzneftegaz to Gazprom for trust management	—
Tajikistan	Long-term agreement (for 25 years, starting in 2004) on strategic partnership	Prospecting, development and production of gas; reconstruction, construction and exploitation of main gas pipelines and other facilities of the gas complex; gas transportation and supplies	—	—
Turkmenistan	Long-term agreement (for 25 years, starting in 2004) on strategic partnership	Purchase of gas; prospecting, development and production of gas (on the Caspian shelf under a production sharing agreement); processing, transportation and realization within joint projects; creating new transportation capacities	—	In 2004, 5-6; 2005, 6-7; 2006, 10; 2007, 63-73; 2008, 63-73; 2009-2028, 70-80; total—at least 1.5 tcm
Uzbekistan	Long-term agreement (for 10 years, starting in 2003) on strategic partnership	Gas purchase; development of the Shakhpakhty gas field under a production sharing agreement	Gazprom intends to buy 44 percent of shares of Uzbektransgaz	2003-2004, 5; 2005-2012, 10; Total—87

- istan will force the United States and its NATO allies to perpetuate their military presence in Afghanistan and to set up a corresponding infrastructure there.
5. Russia's capture of the Central Asian gas sector will gradually squeeze out of the region other foreign companies (Ukrainian, in the first place) engaged in construction and services and equipment supplies.
 6. Over time, Moscow will expand to the local oil sectors, which means that Russian firms will try to remove Western oil companies from the region (from Kazakhstan, in the first place).

TAJIKISTAN'S ENERGY PROJECTS: PAST, PRESENT, AND FUTURE

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The first state diesel station with a capacity of 78 kW went into operation in Dushanbe, the republic's capital, in 1926. And the first hydropower station, Varzobskaia-1, not far from Dushanbe, with a capacity of 7.15 MW was built in 1937. The building of power stations in Tajikistan continued even during the years of the Great Patriotic War (1941-1945), and after it was over, they were erected at an even faster rate. For example, in 1941 the first line of the Khorogskaia hydropower plant in Pamir, the republic's highest mountainous and most inaccessible region, went into operation, followed in 1945 by the second line.

What is more, in the 1930s, intensive study of the republic's energy resources began, while planning and surveying work was organized for building new facilities. It was carried out on a planned and systematic basis using world experience. In 1949-1950, the first energy program was developed, which took into account the agricultural proclivity of Tajikistan's economy,¹ thus giving it the name of "Electrification of Agriculture." It envisaged building 956 hydropower plants, with a unitary capacity of 50 to 3,000 kW, 555 of which were to be built in the republic's most economically developed north, 328 in the central regions, and 73 in sparsely populated and economically underdeveloped Pamir. Their total capacity amounted to 500 MW.

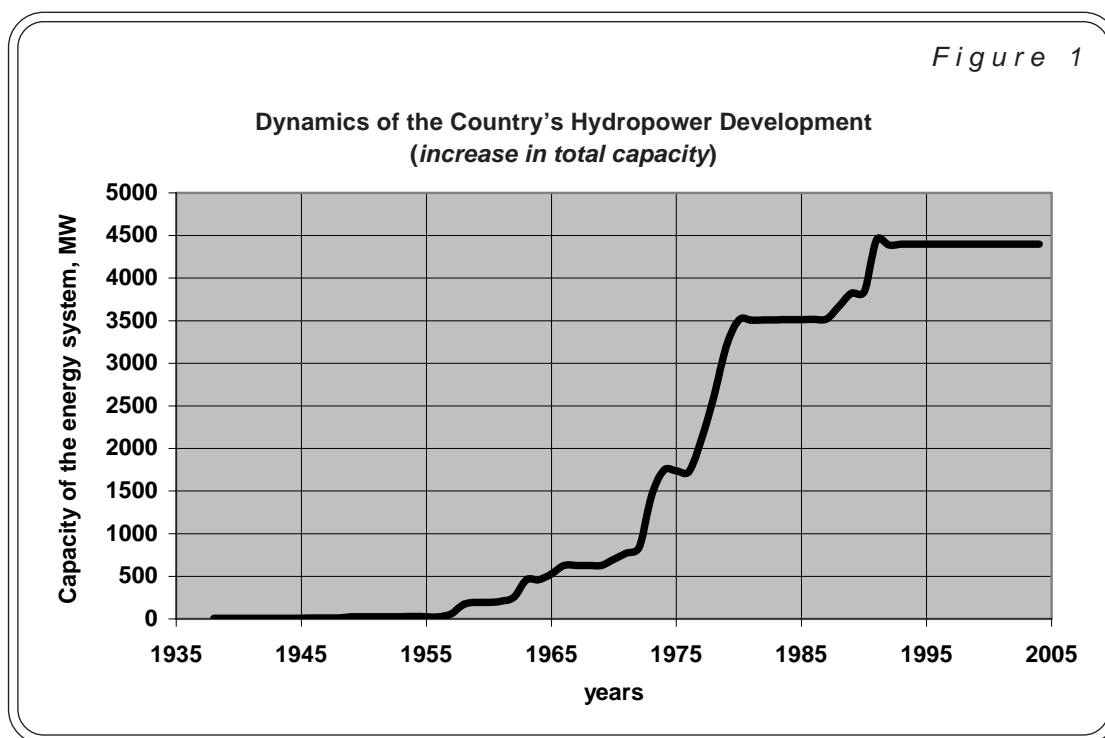
This was when specialists understood that only hydropower resources could form the foundation of the republic's energy development. Their supplies are several times higher than the republic's own needs, while the country has essentially no industrial deposits of oil and gas, and it is very unprofitable to develop the nation's coal fields.²

¹ Unfortunately, this proclivity continues today. More than 70% of the 6.5 million people in the republic are engaged in agriculture. In so doing, there are 0.11 hectares of land per capita in Tajikistan, 0.08 hectares of which are arable. As a result, according to different estimates, labor migration of the population beyond the country currently amounts to between 350,000 and 1,200,000 people.

² See: G. Petrov, "Tajikistan's Hydropower Resources," *Central Asia and the Caucasus*, No. 3 (21), 2003.

By the 1960s, construction of the Vakhsh chain of hydropower plants (Golovnaia, Perepadnaia, and Tsentralnye) was completed, with a total capacity of 258 MW, as well as 69 small hydropower plants with a total capacity of 32 MW. Then, in keeping with the change in the Soviet Union's general policy, the program for building small hydropower plants was curtailed and the building of large ones began. And by the 1980s, several of these hydropower plants went into operation in the republic: the Nurekskaia, with a capacity of 3,600 MW, a reservoir of 10.5 cubic km in volume, and the highest earthen embankment in the world of 300 m, the Baipazinskaia, with a capacity of 600 MW, and the Kairakumskaia, with a capacity of 126 MW and a reservoir of 4.6 cubic km in volume. What is more, at the same time the construction of other hydroelectric power plants began, including the Rogunskaia, with a capacity of 3,600 MW and a reservoir of 13.3 cubic km in volume. During this period, yet another special feature of hydropower engineering in Tajikistan was manifested—its integral use related primarily to irrigation. What is more, irrigation demands, which were aimed at ensuring the Soviet Union's cotton and partial grain independence, became top priorities, but were detrimental to hydropower engineering.³

Hydroelectric power currently accounts for 98% of the total capacity of the republic's energy system (see Fig. 1).



This figure shows that during the second half of the last century, particularly between the 1950s and 1980s, electric power underwent very intensive development. By the end of this period, electric power production amounted on average to 16 billion kWh a year. With the size of Tajikistan's population at that time of 4 million people, this ensured a per capita intensity-of-use coefficient of 4,000 kWh per year, which was a very high index for that time and not only compared favorably with

³ Taking into account that hydropower engineering was primarily developed in countries at the heads of rivers, in Tajikistan and Kyrgyzstan, and irrigation in the lower reaches of rivers, in Uzbekistan, Kazakhstan, and Turkmenistan, after the U.S.S.R. disintegrated and the Central Asian countries acquired their independence, this became the region's most serious inter-republic problem.

many European countries,⁴ but also promoted significant economic growth in the republic. For example, between 1950 and 1985, its gross national product rose 13.5-fold, from 717.6 to 9,766.4 million rubles, its industrial product jumped 15.5-fold (from 346.3 million rubles to 9,766.4 million rubles), while the area of irrigable land increased 2.2-fold, from 299,500 to 648,700 hectares, whereby in the latter case, the entire increase was achieved by means of pump irrigation. What is more, when the Kairakkumsky (in 1957) and Nureksky (in 1978) reservoirs went into operation, an additional 1 million hectares of land could be incorporated into the irrigation zone in the neighboring union republics of Uzbekistan and Kazakhstan.

Unfortunately, all these indices were achieved with the help of highly qualified personnel, including workers from other more developed Soviet republics. In Tajikistan itself, their training had only just begun. And after the Soviet Union collapsed, these specialists and highly qualified workers, who had not yet put down roots in the republic, moved away from our now independent country, leaving it to struggle with very serious personnel problems it has still been unable to overcome.

The plans drawn up in the 1980s envisaged even more intensive development of hydropower engineering. With this in mind, more than 85 highly efficient projects were prepared at different stages: the unit cost of hydropower plants was equal to \$500-\$1,000 per kilowatt of installed power, and the cost of electric power was less than 0.1 cent/kWh. The main indices are presented in Table 1.

This program did not envisage the possibility of building small hydropower plants, which, as we have already noted, was related to the electric power development strategy aimed exclusively at erecting large plants. At the same time, we cannot ignore the potential of small hydropower plants. They have a capacity of 21,057.0 MW and produce 184.5 TWh of electric power a year, whereby almost 50% of them are technically fit for development.

The designated plans finally saw the light of day. Along with the Rogunskaja hydroelectric power plant, with a capacity of 3,600 MW, as we have already noted, in the 1970s and 1980s, construction of the Sangtudinskaia 1 and 2 hydropower plants, with a total capacity of 890 MW, and the Nizhne-Kafirniganskaja, with a capacity of 120 MW, began, as well as preparatory work on the Shurobskaia and Dashtijumskaja hydropower plants. By the beginning of the 1990s, the total investments in these facilities had topped one billion dollars.

Table 1

Priority Projects in Hydropower Development

No.	Name	Parameters			
		Capacity, MW	Production, TWh/year	Hydraulic drop, m	Active storage capacity, km ³
Chain of hydropower stations on the Panj River					
1	Namangutskaia*	2.5	0.018	36	0
2	Barsharskaia	300	1.6	100	1.25
3	Anderobskaia	650	3.3	185	0.1
4	Pishskaia	320	1.7	90	0.03
5	Khorogskaia	250	1.3	70	0.01

⁴ It was population growth, which was actively supported by Soviet state policy, which fell on favorable religious and national soil, and later became a very serious economic, social, and political problem for Tajikistan. Today 6.5 million people live in the country.

Table 1 (continued)

No.	Name	Parameters			
		Capacity, MW	Production, TWh/year	Hydraulic drop, m	Active storage capacity, km ³
6	Rushanskaia	3,000	14.8	395	4.1
7	Iazgulemskaia	850	4.2	95	0.02
8	Granitnye vorota	2,100	10.5	215	0.03
9	Shirgovatskaia	1,900	9.7	185	0.04
10	Khostavskaia	1,200	6.1	115	0.04
11	Dashtijumskaia	4,000	15.6	300	10.2
12	Jumarskaia	2,000	8.2	155	1.3
13	Moskovskaia	800	3.4	55	0.04
14	Kokchinskaia	350	1.5	20	0.2
15	Nizhne-Panjskaia	600	3.0		
Total		18,322.5	84.918		17.36
Chain of hydropower plants on the Vakhsh River					
1	Rogunskaia**	3,600	13.3	300	8.6
2	Shurobskaia	800	3.0	55	0.02
3	Nurekskaia*	3,000	11.2	250	4.5
4	Baipazinskaia*	600	2.5	54	0.08
5	Sangtudinskaia, 1**	670	2.7	58	0.02
6	Sangtudinskaia, 2	220	1.0	19	0.005
7	Golovnaia*	240	1.3	26	0.004
8	Perepadnaia*	30	0.25	39	0
9	Tsentralnaia*	8	0.11	22	0
Total		9,178	35.36		13.229
Hydropower plant on the Syrdaria River					
1	Kairakkumskaia*	126	0.6	15,4	2.5
Total		126	0.6		2.5
Chain of hydropower plants on the Obikhingou River					
1	Sangvorskaia	800	2.0	268	1.5
2	Urfatinskaia	850	2.1	280	0.01

Table 1 (continued)

No.	Name	Parameters			
		Capacity, MW	Production, TWh/year	Hydraulic drop, m	Active storage capacity, km ³
3	Shtienskaia	600	1.5	150	0.01
4	Evtachskaia	800	2.0	185	0.02
5	Kaftarguzarskaia	650	1.7	140	0.01
Total		3,700	9.3		1.55
Chain of hydropower plants on the Surkhob River					
1	Jadbulakskaaia	600	2.0	200	1.4
2	Saironskaia	500	2.2	135	0.01
3	Gorgenskaia	600	2.7	138	0.02
4	Garmskaia	400	1.8	90	0.02
Total		2,100	8.7		1.45
Chain of hydropower plants on the Zaravshan River					
1	Vishkentskaia	160	0.95	40	0.02
2	Iavanskaia	120	0.18	80	0.02
3	Dupulinskaia	200	1.0	90	1.6
4	Penjikentskaia, 1	50	0.27	49	0
5	Penjikentskaia, 2	45	0.25	46	0
6	Penjikentskaia, 3	65	0.36	69	0
Total		640	3.01		1.64
Chain of hydropower stations on the Fandaria River					
1	Iskanderkulskaia	120	0.77	80	0.45
2	Iagnobskaaia	150	0.97	150	0.3
3	Ravatskaia	50	0.3	40	0.02
4	Zakhmatabadskaaia	190	1.14	25	0.01
Total		510	3.18		0.78
Chain of hydropower plants on the Matcha River					
1	Matchinskaia	90	0.56	180	0.8
2	Riamutskaaia	75	0.46	110	0.35
3	Oburdonskaia	65	0.35	80	0.02

Table 1 (continued)

No.	Name	Parameters			
		Capacity, MW	Production, TWh/year	Hydraulic drop, m	Active storage capacity, km ³
4	Pakhutskaia	130	0.75	85	0.02
5	Sangistanskaia	140	0.90	80	0.02
Total		500	3.02		1.21
Chain of hydropower plants on the Kafirningan River					
1	Vagjigdinskaia	150	0.6		0.85
2	Iavrozskaia	400	1.1		0.045
3	Romitskaia	450	1.4		1.2
4	Sarvozskaia	250	0.8		0
5	Vistonskaia	200	0.6		0
6	Nizhne-Kafirninganskaia**	120	0.48		0.6
Total		1,570	4.98		2.695
Chain of hydropower plants on the Bartang River					
1	Sarezskaia	150	1.3		3.1
2	Bartangskaia, 1	113	1.04		0.6
3	Bardarinskaia	135	1.1		0
4	Bartangskaia, 2	94	0.8		0
5	Bartangskaia, 3	89	0.8		0.15
Total		581	5.04		3.85
Chain of hydropower plants on the Varzob River					
1	Guskharskaia	220	0.55		0.002
2	Puguzskaia	400	1.9		0.002
3	Siamskaia	250	0.6		0.08
Total		870	3.05		0.084
Chain of hydropower plants on the Gunt River					
1	11 operating hydropower plants*	29.4	0.198		
2	Chain of 11 new hydropower plants	255	1.56		0.212
Total		284.4	1.758		0.212

Table 1 (continued)

No.	Name	Parameters			
		Capacity, MW	Production, TWh/year	Hydraulic drop, m	Active storage capacity, km ³
TOTAL		38,366.5	162.916		46.56
of them:					
Operating		4,043.4	16.158		7.084
Under construction		4,390	16.48		9.22

* operating, ** under construction.

As for thermal power, due to the rich hydropower resources and the country's shortage of its own mineral fuel, it was developed at a minimum level. In the 1980s, only the Iavanskaia thermal power station, operating on gas, with a capacity of 120 MW, and more than 40 diesel stations in Pamir, using residual oil, with a total capacity of about 12 MW, were put into operation.⁵

The republic finally stopped developing thermal power stations in the 1990s, after a project for the Fan-Iagnobskaia state regional hydroelectric power plant was drawn up with a capacity of 2,000 MW and producing 9.2 TWh per year of electric power. Even despite the fact that there were plans to build it directly on an operating coal field and use this coal as fuel, it could not compete with the hydropower plants. The cost of electric power at the station itself would have amounted to 2.03 cents per kWh and, taking into account the costs of equipping the coal field, 6.97 cents per kWh (the cost at hydropower plants was no higher than 0.1 cents/kWh).

What is more, even before this, at the end of the 1980s, a state program to further develop hydropower engineering was drawn up in the Soviet Union for 1990-2005, whereby, in particular, the construction of eight large hydropower plants was planned in Tajikistan, three of them in Pamir. (The main indices of this program are presented in Table 2.)

In this program, Tajikistan, which occupied 0.64% of Soviet territory and had a population of 2% of the total union population, accounted for 17% of the total input hydropower potential, followed by Kirghizia with 10%, while the other Union republics (apart from the RSFSR) accounted for less than 5%. Of course, such increased attention toward Tajikistan was mainly explained by its large supplies of hydropower resources, as well as the efficiency of their use. However, all the construction was not carried using the republic's own resources, but on funds from the U.S.S.R budget, which had a very negative impact after the Soviet Union collapsed. After 1992, all hydropower plant construction completely stopped in Tajikistan, including those facilities already underway.⁶

This required definition of the further development of power engineering. The problem became particularly acute after centralized deliveries of mineral fuel from neighboring republics stopped, and the previous exchange of electric power for it (in keeping with the winter-summer scheme) was eliminated. This led to a shortage of electric power in the republic in the winter (3-4 billion kWh) and no demand for the surplus electric power in the summer (1.5 billion kWh).

⁵ Unfortunately, many of them installed at the end of the 1980s did not even start operating, and after 1992 Pamir's diesel power stations ceased to function at all due to a lack of fuel.

⁶ For the sake of objectivity, it should be noted that one of the reasons for the collapse of the Soviet Union was that too much attention was focused on development of the energy complex: oil and gas, coal, hydropower, to the detriment both of the environment and efficient energy use. As a result, the Soviet Union's entire economy could not compete with developed countries and went bankrupt.

Table 2

**Program for the Construction of Hydropower Plants
(without pumped-storage stations) in the Soviet Union for 1991-2005
(input capacity, MW)**

No.	Republic	Periods			
		1991-1995	1995-2000	2001-2005	1991-2005
1	RSFSR	3,725	7,217	9,070	20,012
2	Ukrainian SSR	438	0	0	438
3	Kazakh SSR	117	240	300	657
4	Georgian SSR	233	917	176	1,326
5	Azerbaijani SSR	112.5	520	67,5	700
6	Kirghiz SSR	600	950	1,810	3,360
7	Tajik SSR	1,448	3,094	948	5,490
8	Armenian SSR	19	22	0	41
Total in U.S.S.R		6,692.5	5,743	12,435,5	32,024

Due to the republic's own extremely limited funds and low investment rating, the country's priorities and entire development strategy had to be reconsidered. But all the power facilities already started and planned did not lose their significance. What is more, as the cost of electric power on the world markets rose, they became even more attractive. But despite all the efforts, including by the government, the foreign investments needed for their implementation were not forthcoming. Nor was an attempt to generate funds by creating the Sangtuda Joint-Stock Company (for completing construction of a hydropower plant of the same name) crowned with success. This meant finding 350 million dollars, but after two issues of shares for a total of 200 million dollars, this joint-stock company barely managed (and with the government's help at that) to collect \$300,000, that is, less than 0.1% of the required sum. The only successful example in this respect was the creation of a private energy company in Pamir, with license to use all the property of the former regional electric power networks for 25 years. There are plans to attract 25 million dollars in investments to this company.

During the post-Soviet period, several new large facilities were developed in the republic. One of them envisages diverting some of the Panj River drainage into the Vakhsh River to be used at the chain of Vakhsh hydropower plants already operating there. The project is distinguished by its simplicity and high efficiency—only a dam needs to be built on the Panj River and a tunnel. At a total construction cost of 340 million dollars, the production of electric power in the republic will increase by 11.3 billion kWh a year, whereby in the winter, that is, during the high deficit time, by 5.1 billion kWh. This project is much more efficient than building the Rogunskaya hydroelectric power plant, the cost of which is more than 2 billion dollars and will produce approximately the same amount of electricity.

The plan developed for the first stage of the first line of the Rogunskaya hydroelectric power plant is somewhat affiliated with this project, in which instead of building the entire complex, there are plans to erect (at the first stage) only one low dam necessary for water storage. In so doing, energy will be produced in the same way as at the existing chain of Vakhsh hydropower plants. The cost of the work is 227 million dollars, and annual electric power production (in the winter only) amounts to 800 million kWh.

There is also a project for diverting some of the Zaravshan River drainage to the Istravshanskaia valley for its integral (irrigation and energy) use. In particular, there are plans to build a dam and hydropower station on the Zaravshan River with a capacity of 90 MW, a tunnel, and a chain of derivation hydropower stations with a capacity of 300 MW (at the exit from the tunnel), as well as irrigate 80,000 hectares of land. The total work cost is 660 million dollars, the remuneration time, taking into account only the energy component, is nine years, whereas taking into account the irrigation component it is reduced to 18 months.

Among the smaller projects, it is worth mentioning the one to generate hydrogen as automobile fuel (using the surplus summer electricity from the Nurekskaia hydropower plant, the volume of which, as already noted, is equal to 1.5 billion kWh per year). Another alternative for using this surplus is considered in a project which envisages building an experimental industrial installation for synthesizing liquid fuel from the oil and coal produced in the republic.

But not one of these projects has been implemented despite their high efficiency. This is due not only to the difficulties in attracting funds, but also to the fact they have not been elaborated to the necessary extent. For example, surveys and working studies of the river diversion projects have not even begun. In the projects on utilization of surplus electric power from the Nurekskaia hydropower plant production technology has not been developed to the proper level. Nor has the project for the first stage of the first line of the Rogunskaja hydropower plant been approved by neighboring countries, which today is mandatory for any undertaking on a transborder river (which the Vakhsh is). In order to implement these plans, rather large investments are required, which it is impossible to attract these days without any guarantee of their return. In this respect, we can say that all the mentioned projects have missed the boat—during Soviet times they would have undoubtedly received support and funding.

After the republic acquired its independence, small hydropower stations, which make it possible to supply the remote inaccessible regions with electricity at low costs and in a short time, again began to arouse increased interest. For example, in 1992, a scheme was prepared for accommodating small hydropower plants in the republic's mountainous regions—Garm, Jirgatal, and Staro-Matchinskiy—where there were plans to build 160 plants with a capacity of between 100 and 5,000 kW. In 1995, a schedule was drawn up for setting up small hydropower plants in Pamir and the Gorno-Badakhshan Autonomous Region, which presupposed building 50 stations with a capacity of up to 1,000 MW. In 1993-1997, the republic's government adopted special resolutions, in compliance with which privileges were granted for building and operating small hydropower stations. And in contrast to the other projects, the construction of small hydropower stations is actually underway.⁷ Using budget funds, seven power plants with a capacity of 100-500 kW have been put into operation, and 17 small hydropower plants with a capacity of 30-100 kW have been built in Pamir using funds allotted by the Aga Khan Foundation.

What is more, programs are being introduced for using alternative sources of energy, solar and biogas. Solar energy is particularly promising in this respect: Tajikistan belongs to the so-called "world sun belt," the number of hours of sunshine in the republic amounts to 2,500-3,500 a year, so with the aid of solar collectors, a large part of the population can be supplied with hot water. Unfortunately, as paradoxical as it may sound, the use of this technology is curbed by the low cost of electricity and its poor metering. Biogas installations are already being built in the republic, but they will apparently be used sparingly, primarily due to the absence of a sufficient resource base—today the country has only 1,200,000 head of large horned cattle—the main supplier of fuel for these installations. Wind energy is not at all promising for Tajikistan, since it cannot compete with hydropower.

All the projects reviewed above are aimed at further developing power engineering by building new facilities. All the program documents adopted by the republic's government envisage a two-fold increase in production capacity and electric power production by 2015. In so doing, the currently operating facilities are being neglected, which has resulted in very serious problems that grow with each passing year.

⁷ The creation of the private energy company in Pamir mentioned above is also affiliated with implementation of the small hydropower plant development program, since the total capacity of this energy system (30 MW) is equal to the maximum capacity of one small hydropower plant.

Without the necessary repair, not to mention modernization of equipment, wear and tear of the industry's capital stock has exceeded all permissible norms. Even an initial (very superficial) study revealed the need for immense funds to ensure the normal operation of this system. As Table 3 shows, they amount to 606.42 million dollars, whereby they are needed urgently. Unfortunately, energy companies do not have such funds today, which is not only resulting in a reduction in reliable energy supply to all consumers, but is also posing a threat to the safety of the system's facilities.

Insufficient attention to the safety of hydrotechnical structures is already taking its toll: since 1992, several accidents have been recorded, which were essentially initial warnings. A problem has also arisen in interstate relations, since the republic's energy system is not closed—there is no direct connection between the northern, most developed Sogd Region of the country where only the Kairakkumskaia hydropower plant with a capacity of 126 MW operates, and the rest of the republic, where all the country's main power plants are located. As a result, the Sogd Region is getting 85% of the electric power it needs from Uzbekistan. And Tajikistan, in turn, gives Uzbekistan the same amount of electric power to the Surkhandaria Region. This system was created in Soviet times and under the conditions of a united country it worked normally. Today, however, Uzbekistan may reject it at any moment, in particular after the Talimarjanskaia hydropower plant goes into operation in the Surkhandaria Region, which will place our republic in a very difficult position. It will be forced to buy electric power for the Sogd Region at a price

Table 3

**Program of Primary Work on the Repair, Reconstruction,
and Modernization of the Energy System**

No.	Facility	Expenses, mill. dollars
1	Nurekskaia hydropower plant	83.82
2	Baipazinskaia hydropower plant	2.45
3	Kairakkumskaia hydropower plant	24.1
4	Golovnaia hydropower plant	126.05
5	Perepadnaia hydropower plant	15.4
6	Tsentralnaia hydropower plant	8.10
7	Chain of Varzob hydropower	2.3
8	Dushanbinskaia thermal power station	257.5
9	Iavanskaia thermal power station	26.7
Total for power plants		546.42
10	Enterprises of the energy system	52.26
11	Relay protection	0.08
12	Communication	3.65
13	Metering of electric power	0.64
14	Automated control system	1.22
15	Safety regulations	1.15
TOTAL for the energy system		606.42

three times higher than its cost on the domestic market, but at the same time will be unable to sell the ensuing surplus of its own electricity. This problem can only be resolved if a power transmission line of 350 km in length is laid, whereby this will have to be done in very difficult conditions. The cost of the project is 142.1 million dollars, whereby it is absolutely unprofitable, and only needed for ensuring the republic's energy independence.

In this way, more than 750 million dollars will have to be found only to resolve the primary problems of supplying the country with energy. Whereas to develop the industry, in particular the construction of new hydropower plants, billions of dollars are needed. This indicates the need for a change in priorities and a reassessment of values. It primarily requires an understanding that energy is not an end in itself, as was frequently believed in Soviet times, but only a means for ensuring people a dignified life, as well as maintaining the country's sustainable development in the interests of the current and future generations. Based on this, the main priority of the republic's energy sector is its rejuvenation, rehabilitation, and modernization.

The funds necessary for this can only be generated by the country's own activity. This requires changing the way the energy system is financed,⁸ in particular, raising the cost of electricity. Today it is very low—0.8 cents per kWh, and what is more no more than 60% is paid for.⁹ The system can also be rejuvenated by raising the efficiency of electricity use, which is currently at the extremely low level, as well as drawing up an energy saving policy (reserves here are no less than 40% of the total consumption). What is more, the development and strengthening of interstate cooperation is very important, which will help in particular to resolve the already mentioned problem of the exchange and transportation of electricity between countries, as well as the interrelationship between irrigation and hydropower, and in the final analysis to create a common energy, water, and services market in Central Asia. Several projects are already underway in this area. For example, in 2003 a power transmission line of 100 kW was restored to Afghanistan (the town of Kunduz), and construction of a line of the same capacity has begun, Batken (Kyrgyzstan)-Kanibadam (Tajikistan), which will make it possible to organize alternative energy supply to the Sogd Region. Immense efforts are being exerted to create an Interstate Hydropower Consortium of the Central Asian countries.

As for the construction of new facilities, under current conditions they can only be carried out with the help of foreign investments. Of course, facilities built in this way will be owned by the investors, which is nothing to fear, since this is standard world practice. These power plants will nonetheless be operating for the benefit of the economy and people of Tajikistan.

⁸ The fact that the country's own funds should become the foundation for a revival in power engineering is confirmed by the practice of recent years. Despite all efforts, including by the republic's government, only 45 million dollars in foreign investments granted by the Asian Bank of Development (to be allotted over the span of five years) were generated for rehabilitation of the energy system. This is only 5% of the funds needed for this purpose.

⁹ Today raising the cost of electricity is a bugbear for the population. But if we look at world practice, it turns out that the most developed countries (with the highest standard of living) have the highest electricity costs. Their increase is the "end point" in the chain of reforms to improve the economy and state's financial and credit sphere. This is why they can be an indicator of the country's economic development, the basis of which is power engineering.

RELIGION IN SOCIETY

**A SPLIT IN THE LEADERSHIP OF
THE MUSLIMS OF RUSSIA:
1994-2004**

Mikhail TULSKY

*Observer,
Portal-Kredo.ru publication
(Moscow, Russian Federation)***Gainutdin Refuses
to Obey Tadjuddin**

In my previous article (*Central Asia and the Caucasus*, No. 4, 2004), I wrote that in 1992 during the most serious split among the Russian Muslims, Moscow Mufti Ravil Gainutdin sided with Talgat Tadjuddin, who then headed the Spiritual Administration of the Muslims of the CIS European Part and Siberia. At that time, however, Gainutdin maintained contacts with the dissenters who tried to win him over to their cause. According to Nafigullah Ashirov, Ravil-khazrat was prepared to lead the split, yet refused to remain in the dissenters' crowd. Very soon he betrayed his intentions in concrete actions.

On 29 January, 1994, a meeting of the Moscow Muslims called by Ravil Gainutdin ruled: "Taking into account that the Islamic Center of Moscow and the Moscow Region enjoys high moral and political authority ... and in recognition of the fact that, thanks to the efforts of the Center's leaders, the capital of Russia has become an important spiritual center of the Muslims of the RF, the Spiritual Administration of the Muslims of the Central European Region of Russia (SAMCER) was set up... The Spiritual Administration will remain an inalienable part of the Islamic umma of Russia and plans to work in strict canonical harmony and together with the Spiritual Administration of the Muslims of the CIS European Part and Siberia (SAMES), other spiritual administrations of Russia, and religious organizations abroad." (Information of the SAMCER press service.)

Despite the plans to work "in strict canonical harmony and together with the SAMES" the new organization headed by Gainutdin withdrew from Tadjuddin's SAMES as soon as it was registered with the RF Ministry of Justice on 23 February, 1994. On 22 March Gainutdin gave a presentation of the new organization, the ceremony being attended by Tadjuddin, RF ministers Andrei Kozyrev and Sergei Sha-

khay, Metropolitan Pitirim and chief rabbi Arnold Shaevich. Ivan Rybkin, as then speaker of the RF State Duma, and the heads of the spiritual administrations of the Muslims of Ukraine, Daghestan, and Ingushetia sent their greetings.¹

On 15 September, an enlarged plenary meeting of the Central Spiritual Administration of the Muslims (CSAM) of Russia and the CIS European Countries (the name SAMES acquired after being reregistered with the RF Ministry of Justice on 4 April, 1994) expressed its negative attitude about the fact that several regional administrations had left Tadjuddin. The plenary meeting ruled “to release Z. Shakirzianov from his duties of imam-muhtasib of the Muslims of the Omsk Region and Siberia ... and expel Z. Shakirzianov from the CSAM Presidium.” Z. Shakirzianov did not remain without a job for long: on 5 October, 1995 he registered an independent Spiritual Administration of the Muslims of Siberia—the Omsk Muftiat—at the Ministry of Justice; other regional leaders of the Tadjuddin structure, however, were duly impressed by his dismissal.

Very soon, on 16 September, the Ministry of the Interior of Bashkortostan informed the SAMES presidium that the supporters of the republican Spiritual Administration planned to capture the building of the republic’s Central Spiritual Administration; Tadjuddin sent a letter to all his muftis and muhtasibs, in which he called on them “to defend the CSAM building complex” (on 18 September a copy was even sent to Patriarch Alexii II). Nearly all responded by dispatching their representatives to Ufa, the republic’s capital; the Moscow and Samara muftis did not react.

An extraordinary CSAM plenary meeting held on 21 September, 1994 ruled: “For his repeated failure to participate in the CSAM plenary meetings, as well as for not responding to the call of the Presidium to defend the CSAM complex, Mufti Ravil Gainutdin should be removed from all his posts, namely, member of the CSAM Presidium, Chairman of SAMCER, and second imam-hatyb of the main Moscow mosque. Shamil Iuneev will be appointed second imam-hatyb of the main Moscow mosque. Mufti Vagiz Iarullin will be removed from the CSAM Presidium and relieved from his post of Chairman of the Spiritual Administration of the Muslims of the Samara Region for his failure to respond to the Presidium’s to defend the CSAM complex.”

Immediately after that R. Valeev and the Iuneev brothers, who supported Tadjuddin in Moscow, made an attempt to remove Gainutdin from his post as the head of the main Moscow mosque (at that time it was the only mosque under his control) during his sermon. On 23 September, 1994 the SAMCER Presidium retaliated with “a unanimous decision to withdraw, in a canonical sense, from the CSAM.” To retain control over “his” mosque Gainutdin dismissed A. Bedretdinov, who was in charge of the mosque’s economic activities, and two imam-hatybs (R. Aliautdinov and Kh. Fekhretdinov), who even tried to “be reinstated in their jobs” by taking the case to court.²

Gainutdin established contacts with the Supreme Coordinating Center of the SAM of Russia (SCC), but did not join it. On 31 August, 1995 SCC Chairman Galiullin and SAMCER Chairman Gainutdin issued a joint statement that said in part: “In accordance with the RF Law on Freedom of Conscience, we have decided not to take part in the Duma elections of 1995.” Very soon, however, on 24 November, in violation of his earlier statement, Gainutdin at a meeting with A. Mikitaev and A. Chuev, two leaders of the *Mezhnatsional’ny soiuz* bloc, announced that the Muslims of Russia shared the bloc’s viewpoints.³ On 6 December SCC deputy chairmen Ashirov and Iskhakov (together with A.-V. Niazov and V. Iakupov), speaking in the name of the Union of Muslims of Russia (that had failed to gather enough signatures to run for the Duma), called on the Muslims to vote for the Russia—Our Home election bloc (which Ashirov described as “the most moderate and most reliable”).⁴ This effort brought Niazov the post of advisor to Sergei Beliaev, head of the Russia—Our

¹ “Prezentatsia novogo dukhovnogo upravlenia musul’man,” *RIA “Novosti,”* 22 March, 1994.

² “Odin iz musul’ manskikh liderov Rossii obviniaet muftia Moskovskoy sobornoy mecheti v uzurpatsii vlasti,” *Interfax,* 26 May, 1995.

³ “Lider bloka ‘Mezhnatsional’ny soiuz’ Mikitaev obeshchaet ukrepit prava veruiushchikh i natsmen’ shinstv,” *Interfax,* 25 November, 1995.

⁴ “Soiuz musul’man Rossii prizval svoikh storonnikov podderzhat NDR,” *Partinform,* 21 December, 1995.

Home faction in the Duma, and the right to use an aircraft of one of Gazprom's subsidiaries for his travels across the country.

The Council of the Muftis of Russia is Set up and United with the SCC

On 1 July, 1996, the First Mejlis (Congress) of the heads of the Spiritual Administrations of the Muslims of Russia passed a decision on setting up a Council of the Muftis of Russia (CMR) that comprised SAMCER, Galiullin's SAM of Tatarstan, N. Nigmatullin's SAM of Bashkortostan, M. Bibarsov's SAM of the Volga Area, the Buguruslan and Ulianovsk muftiats of brothers Ismagil and Tagir Shangareev, as well as the dwarf SAM of Chuvashia headed by M. Arkhipov (it disappeared in 2000). Ravil Gainutdin, who convened the congress in the first place, was elected CMR chairman. While the congress was still in session, it was renamed the international Democracy and the Future of Islam in Russia conference, at which the newly elected chairman said: "We want the reforms to continue; we want to preserve peace and harmony. Islam and democracy completely suit each other." Said two days before the second round of the presidential elections of 1996, these words were interpreted as being in support of Yeltsin.⁵ On the same day, Ravil-khazrat met Gennadi Ziuganov to assure him of his support and to ask the communist leader to support, in turn, in the name of the State Duma, the idea of the CMR as a single Muslim structure of Russia.

The majority of the collective members of the SCC joined the CMR (early in 1996, G. Galiullin transferred his post of SCC head to N. Ashirov); as a result the SCC gradually declined. Moscow Imam M. Velitov (who controlled the Historic Mosque of Moscow), the SAM of the Tiumen Region under G. Bikmullin, several communities of Siberia, the Far East, and the Republic of Mari El refused to join the new structure. Formally, the North Caucasian SAMs were also members of the SCC, yet at all times they minded their own business and never interfered in conflicts among the Tartar muftis.

By that time, N. Ashirov had befriended A.-V. Niazov, President of the Islamic Cultural Center and founder of the Union of Muslims of Russia. The two men had many things in common: they both came from Siberia (Tobolsk and Omsk), and they both belonged to the ethnic group of the Siberian Bukhara people (their ancestors came to the Siberian Khanate from the Bukhara Emirate in the 15th-16th centuries). On 8-10 August, 1997, Ashirov convened the First Conference of the Muslims of Siberia and the Far East in Tobolsk, his native city, which set up an Interregional Spiritual Administration of the Muslims of Siberia and the Far East. N. Ashirov (the Supreme Mufti of Siberia) was elected its chairman with two deputies, A.-V. Niazov and G. Bikmullin.

Ashirov and Niazov still lived in Moscow, where they gradually drew closer to Gainutdin. On 28 January, 1998, on the invitation of the Union of the Muslims (Niazov, Ashirov, and Khachilaev), Louis Farrakhan, leader of the Afro-American Nation of Islam, came to Moscow. The next day, he, together with Ravil Gainutdin, celebrated Uraza-bayram in the main Moscow mosque.⁶ On 7-9 August, 1998, the CMR and SCC leaders attended the Second International Conference of Islamic Unity, which elected Aslan Maskhadov its honorary chairman. A month later, on 6 September, they visited Grozny on Maskhadov's invitation to celebrate the 7th anniversary of independent Ichkeria and the 238th anniversary of Sheikh Imam Mansur's birth.

⁵ "O podderzhke Borisa Yeltsina vo vtorom ture prezidentskikh vyborov zaiavili dukhovnye lidery musul'man Rossii," *ITAR-TASS*, 1 July, 1996.

⁶ "Odin iz glavnykh prazdnikov islama—Uraza-bayram—otmechaiut musul'mane Rossii," *ITAR-TASS*, 29 January, 1998.

Finally, Gainutdin and Ashirov unofficially divided the spheres of influence: Gainutdin was left in control of the Muslim communities of European Russia (with the exception of the autonomous republics), while Ashirov received the Asian part (the Urals, Siberia, and the Far East). In November-December, Ashirov's SAM became the SAM of the Asian Part of Russia (SAMAPR); and Gainutdin's SAMCER became known as the SAM of the European Part of Russia (SAMER). The SCC communities in the European part were transferred to the SAMER; those communities in the Asian part which used to apply to Gainutdin were directed to Ashirov. This union cost Ashirov some of his supporters. He first lost Velitov, who joined the SAM of Siberia headed by Baiazitov and received from him a newly built mosque in Otradnoe, in Moscow; on 15 October, 1999, Ashirov also lost the Tiumen SAM under Bikmullin. Neither Velitov nor Bikmullin have yet joined the CMR.

On 23-25 November, 1998, SMR and SCC met in Moscow for a joint meeting at which the SCC joined the CMR (legally, the Ministry of Justice liquidated the SCC in the summer of 2002); the two structures issued a joint statement "about the unjustified claims of Talgat Tadjuddin ... who usurped the title of the 'Supreme Mufti of Russia'." The statement was signed by Gainutdin, Ashirov, Nigmatullin, Bibarsov, Arkhipov, the Shangareev brothers, the new mufti of Tatarstan G. Iskhakov, muftis of Adigey (E. Shumafov), Ingushetia (M. Albogachiev), Kabardino-Balkaria (Sh. Pshikhachev), Karachaevo-Cherkessia (I. Berdiev), North Ossetia (D. Khekelaev), deputy mufti of Daghestan Kh. Batsarov, as well as the muftis of Penza, Nizhni Novgorod and Rostov SAMs (DUMER members). On 24 November, all those present at the joint meeting met Gennady Ziuganov, leader of the Narodno-Patrioticheskiy Soiuz Rossii (People's Patriotic Union of Russia) and the Communist Party of the RF, and V. Zorkaltsev, Chairman of the Union's Executive Committee.⁷ The meeting took place at a time when the liberal media was subjecting the communist party to scathing criticism for General Makashov's anti-Semitic statements, while Boris Berezovskiy and Egor Gaidar demanded that the Communist Party of the RF be outlawed.

Mintimir Shaimiev Sets Up a SAM of "His Own" in Tatarstan and Subordinates All the Mosques of the Republic to It

After an independent SAM of Tatarstan was set up, the President of Tatarstan continued his friendly contacts with Tadjuddin, even though he was pleased that his independent republic had acquired an independent SAM and that the capital of Russian Islam had been moved from Ufa to Kazan, where a SCC under the mufti of Tatarstan was set up.

Mufti G. Galiullin proved to be an active and even aggressive man, while the Tadjuddin people—Kazan muhtasib G. Samatov and mufti of the SAM of Tatarstan (within CSAM) G. Zinnatullin—are described as his exact opposites. F. Salman (Khaidarov), one of the Tadjuddin men, who replaced Zinnatullin on 19 November, 1997 as the republic's mufti described his predecessor as a "passive and even infantile person" even though "he could read well and had a beautiful voice." No wonder that in 1993-1994, the number of communities under Galiullin nearly doubled, while the number of those under Tadjuddin remained the same.

Having found no new leader outside Tatarstan, Shaimiev's administration set its sights on G. Iskhakov, Galiullin's first deputy, a milder and more moderate man. His mother knew Kh. Nizamov very well (who in 1991-1997 headed the administration of President Shaimiev). It was more logical to look for a

⁷ "Lider Narodno-patrioticheskogo soiuza Rossii i Kompartii Gennady Ziuganov provedet zavtra vstrechu s predstavite-
liami islamskogo dukhovenstva," *RIA "Novosti,"* 23 November, 1998.

new leader in the SAM of the Republic of Tatarstan since, according to the Council for the Religious Affairs, in December 1997, out of the 769 Muslim communities of Tatarstan, 599 supported the SAM of the RT; 60 sided with the CSAM; and 110 were independent (in actual fact, however, some of them belonged to the CSAM). (The total figure probably included the communities that had failed to register by that time: late in 1997 there were 695 registered communities in the republic.⁸)

On Shaimiev's initiative, a Unifying Congress of the Muslims of Tatarstan was held in Kazan. The president himself opened it on 14 February, 1998. The heads of local administrations explained to the congress deputies (brought to Kazan in buses hired by the republic's administration) that they should vote for Gusman Iskhakov. He received 430 votes (there were 718 delegates at the congress instead of the expected 762); G. Galiullin got 111 votes; F. Salman, 53; M. Zalialetdinov (muhtasib of Kazan who belonged to the SAM of the RT), 35; K. Bikchentaev (CSAM), 34; and G. Zinatullin, 27.

On 4 March, 1998, in full accordance with the new Law on Freedom of Conscience and Religious Associations of the RF, the Ministry of Justice of the Republic of Tatarstan registered the republic's SAM headed by Iskhakov, thus de jure depriving Galiullin of the status of mufti and head of the republic's SAM. On 18 March, at the first plenary meeting of the new SAM muftis Farid Salman and Gabbullah Galiullin transferred all the property and other rights of their spiritual administrations to Iskhakov's United Administration: Gabbullah-khazrat was elected chairman of the Council of the Ulemas, while Farid-khazrat became head of the Commission for Publishing Religious Literature at the united SAM RT. "They accepted me as a mufti, transferred the stamps and the charters. A year later they withdrew from the SAM RT, without the stamps and without the charters," says Gusman-hazrat with a great deal of irony. As soon as Galiullin and Salman withdrew from the administration, a new RT Law on Freedom of Conscience and Religious Associations was drafted. President Shaimiev signed it on 21 July, 1999. Art 10.5 of the law says: "The Muslim organizations of the RT are represented and administered by one centralized religious organization—the SAM RT." Salman first applied to the local courts, then to the Constitutional Court of Russia, which in July 2001 annulled this and other points of the law as contradicting the RF Constitution. This did not help the CSAM branches to register in Tatarstan; the CSAM-SAM RT confrontation ended on 19 October, 2001 when F. Salman was removed from the mosque of Bulgar. He had to go to Moscow; in September 2002 Tadjuddin appointed him to the Yamalo-Nenetskiy Okrug. According to the recent law, all the mosques of Tatarstan were reregistered within Iskhakov's SAM RT. The normal procedure was a simple one: the local administration head took the relevant documents from the local mullah and sent them to Kazan to be reregistered. Earlier, before the law was adopted, Deputy of the State Council of Tatarstan F. Shaimardanov registered its SAM of the Hanafis with four communities in Naberezhnye Chelny. Under the present law no Muslim communities were registered outside the SAM RT. All of them (with the exception of four communities in Naberezhnye Chelny) belong to Iskhakov's SAM.

Early in 2002, Galiullin, one of Iskhakov's opponents (married to his sister) patched up the quarrel. On 2 February, 2002, at the Second Congress of the Muslims of the RT he was presidium member and voted for Iskhakov. Voting deserves special mention: in contrast to 1998, it was conducted by a show of hands. Five hundred and seventy-eight delegates out of the expected 625 all voted for Iskhakov. The alternative candidates of Kh. Salikhjan and K. Bikchentaev were not even offered for the vote. On 7 February, however, a repeated viewing of the video recording of the voting procedure revealed one hand raised against Iskhakov. The delegates were elected in a very strange way: 2 representatives from 3 communities. V. Iakupov, Iskhakov's first deputy, explained this by the fact that the Tartar Dramatic Theater could seat only 744. There is another possible explanation: to avoid deputies from the communities that in 1998 voted the "wrong way."

⁸ See: R. Abdrakhmanov, E. Mavrina, *Respublika Tatarstan. Model etnologicheskogo monitoringa*, Moscow, 1999, pp. 85-87.

Trying to Get Close to Vladimir Putin

When on 9 August, 1999 Boris Yeltsin made public the name of his preferred successor, the muftis fought for a place as close as possible to the future president. Gainutdin was the first to meet Putin: the meeting at which they discussed “the ways and means for achieving peace and harmony in the Northern Caucasus” took place on 21 August. “The Islamic clerics of Russia will support the Muslims of Daghestan fighting the aggressors. The people who entered the republic with arms have nothing to do with Islam,” said Gainutdin to journalists.⁹

On 27 August in Chuvashia, Tadjuddin said: “Despite the increased influence of some foreign Muslim and Arab states in the Northern Caucasus, where religious extremism is planted using their money, the faithful Muslims of Russia do not accept religious extremism, especially Wahhabism as its most dangerous version. The 400-odd years of good-neighborly relations with members of other traditional confessions in Russia are helping us to find a golden axis of mutual respect, which will keep Wahhabism in its place.”¹⁰ The difference is obvious: while Gainutdin “simply supported” the Muslims of Daghestan, Tadjuddin revealed the “roots of evil.”

On 9 September, Gainutdin organized an extended CMR sitting at his residence attended by the muftis of Chechnia, Karachaevo-Cherkessia, Kabardino-Balkaria, Adigey, and Daghestan. It turned out that Gainutdin’s supporters and the North Caucasian muftis looked differently at certain things: “We wanted negotiations to stop the bloodshed, while, unfortunately, certain North Caucasian muftis spoke resolutely against this. They are convinced that the war should be fought to the end.” This was how Iskhakov described these contradictions and added: “When did these 15-16-year-old boys [Chechen fighters.—*M.T.*] become bandits? They should not be called bandits—they should be merely shown the right way.”¹¹ At the meeting of the CMR muftis and the muftis of the Northern Caucasus with Vladimir Putin, which took place on the same day, no one paid attention to these contradictions.

Gainutdin and his entourage were the first to support Putin’s candidacy for the president. On 26 January, 2000 A.-V. Niazov’s Refakh movement drafted a statement that called on the Muslims, Buddhists, and members of other confessions to vote for Putin on 26 March. The statement said, in particular, that Putin would be able to defend the right of all Russia’s nationalities to live according to their spiritual values and national traditions, and would achieve stable and lasting peace in the Caucasus.¹²

On 15 March Putin received Gainutdin for the third time. The mufti presented him with a dagger, while the presidential candidate pointed out that the culture of Russia was “as varied as its economy” and added that he had invited Muslim F. Gazizulin, head of the Ministry of State Property of the RF, to join them.¹³

Gainutdin, Tadjuddin, Iskhakov¹⁴ and Ashirov supported Putin on the eve of the elections; the latter two do not like to recall this, while Tadjuddin was the first of them to congratulate Putin on his victory: on 27 March at 10:42 a.m. ITAR-TASS informed: “The Supreme Mufti of Russia congratulated Vladimir Putin on his victory at the presidential elections in the name of the millions of Russian Muslims” and quoted from his message: “We voted for you with faith and hope because your deeds rather than your words are the best proof of your determination and love of the Fatherland.”

⁹ “Muftii Severnogo Kavkaza v blizhayshie dni namereny obsudit puty dostizhenia mira i soglasia na iuge Rossii,” *RIA “Novosti”*, 22 August, 1999.

¹⁰ ““Pravovernnye musul’mane strany ne vosprinimaiut religiozny ekstremizm,”—zaiavil Verkhovny mufti Rossii Talgat Tadjuddin,” *ITAR-TASS*, 27 August, 1999.

¹¹ “Soveshchanie u Putina: rezul’tatov net, no mnenia vyskazany,” *Tatar-inform*, 13 September, 1999.

¹² “Dvizhenie ‘Refakh’ obratilos s prizyvom k musul’manam, buddistam i predstaviteliam drugikh religioznykh konfessiy Rossii progolosovat 26 marta za Vladimira Putina,” *ITAR-TASS*, 26 January, 2000.

¹³ “Rossia—eto obshchiiy dom dlia musul’man i khristian, podcherknul Vladimir Putin, otkryvaia vstrechu s predstavitelemi muftiata Rossii,” *ITAR-TASS*, 15 March, 2000.

¹⁴ “Musul’mane Tatarstana otmechaliut segodnia prazdnik Kurban-bayram,” *RIA “Novosti”*, 16 March, 2000.

Discussion on Wahhabism

On 16 September, 1999, the Popular Assembly (parliament) of Daghestan passed a Law on Banning Wahhabi and Other Types of Extremist Activity on the Territory of the Republic of Daghestan (RD), which M. Magomedov, Chairman of the republic's State Council, signed on 22 September. Arts 2-3 of the document say: "Education of the citizens of the RD in religious educational establishments outside the RD and RF is allowed on permission from the administering structures of the republic's religious organization agreed upon with the state structure for religious affairs of the RD" and only "according to the curricular approved by the administering structure of the republic's religious organization. People who teach religious disciplines in religious educational organizations or are engaged in private teaching should have religious education and carry out their activity with the permission of the administering structures of the republic's religious organization." Art 5 says: "People responsible for violating Arts 1-4 of this Law shall be called to administrative account in the form of administrative arrest for 15 days or a fine ranging from 100 to 500 minimum wages, if their actions do not entail criminal liability under the current laws."

On 2 October the muftis of the CSAM met for their plenary meeting (council) in Ufa. Its statement stirred up a wide response: "Supported by the Spiritual Administrations of the European Part of Russia and of the Asian Part, the so-called Buguruslan muftiat, and the SAM of the Republic of Tatarstan, foreign missionaries are opposing traditionally moderate and enlightened Islam by preaching and introducing non-traditional forms and trends. They are causing conflicts and clashes among their followers... The long-term social and political prospects of the relations between the Muslim community and the state depend on the outcome of this confrontation between the clerics and communities of the CSAM and the new quasi-religious structures." The statement was signed by T. Tadjuddin, the CSAM muftis of the republics of Chuvashia, Udmurtia, Tatarstan, Mari El, and the Ulianovsk, Kurgan, Sverdlovsk, Astrakhan, Samara, Perm, Volgograd, Orenburg, Penza, Rostov, Moscow, and Kirov regions; St. Petersburg, the Khanty-Mansi Autonomous Okrug; Belarus, Estonia, Latvia, Lithuania, and even by the Spiritual Administration of the Muslims of Siberia, independent of the CSAM. Significantly, in 1992-1994 A. Kharrasov, head of the Muslims of Estonia, was an active SCC member.

It was after this attack that Gainutdin (who in August had been insisting on an "absolutely peaceful settlement of this acute conflict"¹⁵ and on 1 October spoke "against air raids on Chechnia"¹⁶) said on 16 October in Volgograd that he completely supported Russia's armed actions in Daghestan: "We shall fight against radical 'Islam' so as not to let it penetrate deep into Russia, and we call on the faithful Muslims to follow traditional Islam, the main postulates of which condemn wars, fratricidal conflicts, and violence."¹⁷

On 20 October, before the Council on Cooperation with the Religious Organizations under the Russian President opened its sitting, Tadjuddin pointed out: "Religious extremists come to Russia to sow intolerance under the guise of charity foundations... Some of the foreign students studying in Russia's Islamic institutes take part in these movements."¹⁸

As the struggle between the two structures (the CMR and the CSAM) gained momentum, the "fellow-travelers" of both leaders changed their stance. On 15 October, the SAM of the Tiumen Region un-

¹⁵ "Islamskie lidery Rossii prizvali musul'man Daghestana nayti mirny vykhod iz slozhivsheisia v respublike situatsii," *ITAR-TASS*, 12 August, 1999.

¹⁶ "Dukhovnye lidery musul'man Rossii vsetelo podderzhivaiut bor'bu gosudarstva s terrorismom, odnako vystupaiut protiv nanesenia aviadarov po territorii Chechni," *RIA "Novosti"*, 1 October, 1999.

¹⁷ "Predsedatel Dukhovnogo upravlenia musul'man evropeyskoy chasti Rossii mufti sheikh Ravil Gainutdin zaiavil o podderzhke voennykh deystviy Rossii v Daghestane," *ITAR-TASS*, 16 October, 1999.

¹⁸ "Pod vidom blagotvoritel'nykh musul'manskikh fondov v Rossiiu pronikaiut vsevozmozhnye religioznye ekstremisty, zaiavil Verkhovny mufti Talgat Tadjuddin," *ITAR-TASS*, 20 October, 1999.

der G. Bikmullin withdrew from the SAM of the Muslims of the Asian Part of Russia and from the CMR; on 11 November Bikmullin signed an agreement of cooperation with mufti of Khanty-Mansiisk T. Samatov, who belonged to the CSAM (later he signed a similar agreement with the SAMAPR). According to Samatov, by the spring of 2002 Bikmullin had established close friendly relations with Iskhakov's Kazan muftiat.

On 14 November, Tadjuddin took part in the Itogi TV program (shown on the NTV Channel), in which he accused the CMR of aiding and abetting Wahhabism. His contribution to the scientific-practical conference, "The Wars of the Future and the Ways They Can be Prevented," which took place late in November, was the most eloquent one. After outlining the ways Wahhabism penetrated Russia he said: "Today, there are many supporters of Wahhabism in Russia, the Moscow muftiat, the Spiritual Administration of the Muslims of the Asian Part of Russia, the Buguruslan muftiat, and the Spiritual Administration of the Muslims of Tatarstan among them. For example, the Moscow muftiat recently received humanitarian aid from abroad in the sum of \$1 million for summer Wahhabi camps and Wahhabi clerics."¹⁹

On 30 June, 2000, the CMR met to discuss a possible ban on Wahhabism in Russia; the final document described Tadjuddin as a dissenter who had been the first to open doors wide to pseudo-Islamic missionaries when in January 1992 he signed an agreement with the Islamic Development Bank to the sum of \$1.5 million. (In fact, the sum was \$1.4 million, of which Tadjuddin's structure received only \$0.4 million in the first half of 1992 when his opponents were still his subordinates.) The same statement protested against a ban on Wahhabism.

Soon after that Gainutdin sent to the media a statement that indirectly justified Wahhabism in the following way: "Wahhabism is the official ideology of Saudi Arabia that knows neither terrorism nor extremism. Wahhabism is based on the teaching of the Koran and the Sunnah. Any legal ban of Wahhabism in Russia will infringe on the rights and constitutional freedoms of our Muslim citizens. Early in the 1990s several hundreds of our young men studied in the institutes and universities of Saudi Arabia because it was ready to pay for them. It trained them."²⁰ "Wahhabism is described in negative terms, while the truth is much more complicated. Wahhabism is a teaching based on the Koran and the Sunnah. It has nothing in common with extremism and terrorism. What is more it condemns them."²¹

The War on Iraq and "Jihad" of Tadjuddin

At a meeting organized by the Edinaia Rossia Party on 3 April, 2003 in Ufa in protest against the war on Iraq, T. Tadjuddin said: "You know what 'bush' means? Bush means 'empty' (as translated from the Arabic.—*M.T.*), empty, empty Bush! And empty bits of nothing don't last long! God will sweep them away, history will sweep them away, let there never ever be such empty leaders in this world!.. The people of Iraq have stood and will go on standing!.. We have but one God, and we call Him God, or Allah, we will always worship Him. We are sick of this green dollar, exchanging it one way, then exchanging it back—to hell with this dollar and with Bush too! I don't mean to swear, it is God bringing these words to my lips!.. Americans in those striped overalls, the same as their flag, they're prisoners from all over the world who've been living in America for over 200 years now. And today these

¹⁹ "Talgat Tadjuddin obviniaet Moskovskiy muftiat v posobnichestve vahhabitam," *Bashinform*, 2 December, 1999.

²⁰ "O neobkhodimosti tochnykh opredeleniy." Interview M. Shevchenko s R. Gainutdinom," *NG-religia*, 29 November, 2000.

²¹ "Narodny mufti. Islam v Rossii bol'she, chem Islam," *Moskovskiy komsomolets*, 12 July, 2001.

marauders have broken loose, let's get them back in their cage, let's drive these Americans back into their cage! We are glad our president has been elected, chosen by God and the people, that he understands everything and does everything right, for since 19 March of this year, the Third Rome is Moscow! There will be no Fourth Rome! Because it would not be right to join up with these jailers in their striped pants with stars on their behinds, and you know, they even wear the same striped trunks, but I have no idea where the star goes, at the back or at the front, people who go around like this can never be guarantors of peace! One ruler, Alexander II, sold Alaska to America for 7 million dollars in gold, so now they have a big appetite. From Iraq they want to go on and check out Iran, then Azerbaijan and Armenia, then they'll stop by and see their prostitute Shevardnadze. After that they will want to go and check on the results of the referendum in Chechnia and then take a look and see how much oil, how much gold, how much timber we have, and while they're about it they'll help cut up all our missiles. Excuse me again, but I have to say it, to hell with them! Tonight the Central Spiritual Administration declared a holy war to liberate Iraq and the world, will you support it? Everyone who wants to fight for God, for Iraq, for peace and freedom, sign up and join the forces. For those who want to remain neutral, we can organize forces at home, we'll grab every American, every Englishman, and all their hangers-on, hand them over to the police as spies and sell them to America for 1.5 million dollars each. With this money we can raise student grants, build a bigger sports stadium, and train kung fu wrestlers."

The student part of the audience enthusiastically hailed the speaker. After hearing this, Aiup Bibarsov, deputy chairman of the SAM of Bashkortostan, who planned to speak at the meeting, preferred to step aside. Accompanied by "Mufti, we love you!" coming from the delighted students, Tadjuddin spoke to the journalists: "*Tonight, the Central Islamic Spiritual Administration of the Muslims of Russia, the Muslims of Holy Russia, unanimously approved of a fetwah that announced a holy war for the freedom of Iraq and the whole world.*"

Answering the question: "What specific forms will the jihad take?" Tadjuddin said: "*I shall not go into details here—this is classified information, yet we have our instruments for putting pressure on the United States, Great Britain, and their hangers-on, because this is Antichrist, against which all the world should rise. We, the Muslims and Orthodox Christians, are looking forward to the Second Coming of Christ; Antichrist should appear before that—this is what is going on.*"

"Do you expect any results?"

"Absolutely; you will see them in the next two or three days, God willing.

"What results do you expect?"

"*I expect one of the aircraft carriers to sink. And then they all will go away. And there will be no America. It will fall apart into 50 states.*"²²

Tadjuddin himself never pronounced the word "jihad"; it was the journalists who used it. On 3 April at 3:00 p.m., Interfax reported: "The CSAM passed a decision to announce a jihad (holy war) against the U.S. Tadjuddin pointed out that it was the second time in the history of Russia of the 20th-21st centuries that a *fath* (resolution) about a jihad against any country had been passed. This happened the first time in 1941 when the Muslims of Russia announced a jihad against Germany, said Tadjuddin. 'The Muslims of Russia have effective instruments for bringing pressure on the U.S. We shall institute a fund to invite donations for buying weapons to be used against America, as well as foodstuffs for the people of Iraq,' said the mufti. He pointed out that the first results of the Muslims' holy war could be expected within 2 or 3 days. The jihad was supported by the meeting in Ufa." This information lumped together quotes from the speech and Tadjuddin's answers to the journalists; it also contained some words about weapons, which were not in the audio- and video recordings. On the same day, at 4:52 p.m., ITAR-TASS copied the Interfax information and added: "The Islamic Spiritual Administration in Ufa, of which Talgat Tadjuddin is head, issued a statement that 'there were no official statements in the name of the Islamic Spiritual Administration related to this issue'."

²² Quoted from audio and video recordings "KP in Bashkortostan" and "REN-TV."

On 4 April, after a warning issued by the General Public Prosecutor's Office, the leaders of the Bashkirian branch of Edinaia Rossia and the republican SAM (part of Gainutdin's CMR), who had hailed Tadjuddin, hastened to distance themselves from what he said. All CMR muftis condemned "Tadjuddin's jihad" and nearly called the Supreme Mufti a madman; yet they agreed with the jihad announced by Saddam Hussein and supported the "struggle of the Iraqi people." Aiup Bibarsov quoted from Vladimir Putin: "America is our strategic partner." When I asked him whether he wanted to see America as Russia's partner, Aiup-khazrat answered: "I personally would prefer France and Germany as Russia's partners, rather than America." Mufti Iskhakov said with a great deal of cynicism: "There is no point in declaring a jihad on America—in a couple of days Iraq will be defeated." Ashirov, who likes Tadjuddin least of anyone, remarked: "A bad man spoiled a good idea."

On 4 April, Gainutdin signed an official CMR's statement: "The plan for the Muslims of Russia to buy weapons for a war on the U.S. mentioned by mufti Talgat Tadjuddin is the first clear demonstration that the federal Law on Opposing Extremism appeared in good time. In the past, religious extremism in our country manifested itself in private, whereas today an entire spiritual administration of Muslims has refused to obey the Russian laws. The Council of the Muftis of Russia completely supports the efforts of President Vladimir Putin."²³ At no time before or after that did Gainutdin betray his delight about the Law on Opposing Extremism.

On the same eventful day of 4 April, M. Khuzin, Tadjuddin's deputy, met Metropolitan of Smolensk and Kaliningrad Kirill and Alexander Voloshin, head of the presidential administration (Tadjuddin had "caught flu" and disconnected his phones). After the meeting Khuzin said: "Tadjuddin announced a spiritual jihad that consists of four aspects: condemnation of U.S. aggression against a sovereign state; support of the efforts of the RF president to settle the Iraqi crisis peacefully; money gathering to extend humanitarian aid to Iraq; and a call to stop watching American, British, and Canadian films on TV."²⁴

On 14 April, an extended meeting of the CMR in its office passed a fetwah which condemned Tadjuddin; it was attended by R. Gainutdin, N. Ashirov, M. Bibarsov, I. Shangareev, muftis of the Ulianovsk Region (F. Aliullov) and Mordovia (R. Khalikov); and deputies mufti of Tatarstan, Bashkortostan, and the Nizhni Novgorod Region (V. Iakupov, A. Bibarsov, and D. Mukhetdinov). The muftiats independent of the CMR were only represented by Chairman of the Komi SAM V. Gaiazov, and mufti of Chechnia A. Shamaev. The other six North Caucasian muftis refused to support Ravil Gainutdin. The fetwah called Tadjuddin a "false prophet" because, the document said: "his prophesies about an American aircraft carrier sinking in a couple of days and America disappearing by falling apart into 50 states were false... It is duly announced that no Muslim has the right to perform namaz with Talgat Tadjuddin or to follow his instructions and advice."²⁵ Tadjuddin issued the following comment: "This is like one janitor replacing another," and even distributed a leaflet showing a thumb making a rude gesture against the background of the CMR fetwah. The picture reached all newspapers.

The seriousness of "Tadjuddin's excommunication" was put to the test on 12 May in the *Cap-tain Nemo* restaurant in Moscow where I. Berdiev, the newly appointed Chairman of the Coordinating Council of the Muslims of the Northern Caucasus, celebrated his appointment. Before the meal all the Muslims prayed together: Tadjuddin and Khuzin, Ashirov, Shamaev, and Niazov were also present.²⁶

²³ Zaiavlenie Soveta muftiev Rossii po povodu prizyvov k sozdaniu nezakonnykh vooruzhennykh formirovaniy dlia voyny s SShA [http://www.portal-credo.ru/site/index.php?act=news&id=9156&topic=101].

²⁴ "Talgat Tadjuddin ne ob'iavliai Amerike 'sviashchennuiu voynu,' a prizyval vesti 'dukhovny jihad,' utverzhdaet zamestitel verkhovnogo muftia" [http://www.portal-credo.ru/site/index.php?act=news&id=9199&topic=101].

²⁵ "Na zasedanii Soveta muftiev Rossii, ob'iavivshem Tadjuddina 'lzheprorokom,' Severny Kavkaz predstavliai tol'ko mufti Chechni" [http://www.portal-credo.ru/site/?act=news&id=9436&type=view]; "Da upaset Allakh Rossiiu ot lzheprorokov," *Vse ob islame*, No. 6-7 (14-15), April 2003.

²⁶ See: "Dva predstavitelia Soveta muftiev Rossii pomolilis vmeste s 'otluchennym' Talgatom Tadjuddinom" [http://www.portal-credo.ru/site/?act=news&id=10441&type=view].

On 17 April, deputy head of the presidential administration V. Surkov invited the muftis of the Northern Caucasus and the CMR to a meeting in the Kremlin to discuss religious education, from which he excluded the CSAM muftis. According to Ashirov, Surkov said for everyone to hear that after Tadjuddin had announced a jihad “it was essentially impossible to deal with him.” SAMER officials confirmed this and added that those present at the meeting on 17 April “divided up the money” for religious education. Surkov (whose father was a Chechen and who uses his mother’s family name) completely agreed with Gainutdin’s scathing criticism of Tadjuddin.²⁷

On 22 April, the Council of the Ulemas of the CSAM headed by Tadjuddin condemned the CMR fetwah and concluded that by declaring Tadjuddin a renegade, the CMR had called for his murder: “We all know that the Prophet Muhammad (Blessings and Peace be upon him) said: ‘Kill those who change their religion’ (that is, abandon Islam). The CSAM leaders are not afraid of threats: we have already received similar messages from the notorious Shamil Basaev.” The statement pointed out: “The position of the young and promising imam of the Memorial Mosque in Moscow, Shamil Aliautdinov, deserves respect: he not only refused to accept the ‘fetwah’ of Gainutdin, but also left the ‘extended’ meeting.”²⁸

On 30 April, at the plenary meeting of the CSAM in Ufa, the muftis completely supported Tadjuddin: “In connection with the document issued by the ‘Council of the Muftis of Russia’ that declared the head of the CSAM a renegade, we confirm that there is a real threat to the life of Sheikh-ul-Islam Talgat Safa Tadjuddin.” Mukhammat Tadjuddinov (son of the Supreme Mufti appointed mufti of Bashkortostan within the CSAM) and Khuzin addressed the heads of the Ministry of the Interior and the Federal Security Service of Russia and Bashkortostan with a statement. Tadjuddin also attended this plenary meeting together with 16 muftis of the CSAM, leaders of the CSAM regional branches in Tiumen and Latvia, all 14 imam-muhtasibs of the CSAM in Bashkortostan, as well as members of the Public Council of CSAM and heads of the Islamic Institute. The muftis of the Sverdlovsk and Samara regions and Udmurtia dispatched their deputies: A. Mukhamadiev, R. Badrukshin, and Kh. Shakirov. Deputy Chairman of the CSAM, mufti of Yamalo-Nenetskiy Okrug F. Salman, commissioned Khuzin to represent his spiritual administration. The Astrakhan and Orenburg regions, Lithuania, Estonia, and Ukraine limited themselves to congratulatory statements (the Astrakhan mufti is one of the two CSAM deputy chairmen). Gaiizov, head of the independent SAM of Komi, who attended the CMR meeting of 14 April, sent his deputy F. Maksutov, who endorsed all the CSAM decisions (in the same way as his superior had endorsed CMR’s decisions). Anvar Muratshin, Chairman of the Council for Religious Affairs of the Cabinet of Ministers of the Republic of Bashkortostan, was also present and signed the final document together with another 47 participants.²⁹

A Step Toward Unification?

The situation in which Gainutdin was transformed from a “defender of Wahhabism” into a “fighter against extremism,” while Tadjuddin, a “fighter against Wahhabism,” suddenly became a “proponent of jihad” made an ideological struggle between the Gainutdin and Tadjuddin groups impossible: mutual accusations lost their meaning.

²⁷ See: “Na soveshchaniy rukovoditeley musul’ manskikh organizatsiy v Tiumeni mufti Nafigulla Ashirov zaiavil o svoem sblizhenii s Kremlem” [<http://www.portal-credo.ru/site/?act=news&id=11039&type=view>].

²⁸ Zaiavlenie Soveta ulemov Tsentral’nogo dukhovnogo upravleniya musul’man Rossii [<http://www.portal-credo.ru/site/?act=news&id=9976&type=view>].

²⁹ See: “Talgat Tadjuddin poluchil podderzhku plenuma TsDUM i naznachil muftiem Bashkortostana svoego syna” [<http://www.portal-credo.ru/site/index.php?act=news&id=10075&topic=101>].

This probably showed the leaders of the Russian Muslims that they should unite. The Kremlin remained loyal to both conflicting sides: Tadjuddin and Gainutdin were both invited to Putin's inauguration ceremony on 7 May, 2004 and were asked to unite.

On 20 May, 2004, as a result of the Kremlin's efforts, Berdiev, Gainutdin, and Tadjuddin signed a joint statement on setting up a United Council of Spiritual Administrations of the Muslims of Russia to Oppose Extremism and Terrorism. They also resolutely supported what the state and President Putin were doing. It was the first time in the history of the schism that the leaders of the three main groups of Russian Muslims united into a single Union...

REGIONAL POLITICS

**CHINA, RUSSIA,
AND THE U.S.:
THEIR INTERESTS,
POSTURES, AND INTERRELATIONS
IN CENTRAL ASIA**

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Central Asia is a separate geopolitical space, newly defined since the end of the Cold War. The region gains its importance from its abundant raw materials, particularly oil and natural gas, and its unique geographic location. Generally speaking though, the region has been geographically and psychologically isolated from most of the nations across the world, especially the United States and Europe. The events of 9/11 catapulted the region into the world's spotlight. The region quickly became known to the world and has grown in strategic importance. Following the events of 9/11, Central Asia emerged from the shadows of the international arena to the forefront of global attention.

China, Russia, and the U.S. are the main actors in Central Asia. Europe is also interested in Central Asia and, after 9/11 in particular, is deeply concerned about and involved in the region. Europe,

moreover, has demonstrated the potential to become a fourth power in Central Asia. While Turkey and Iran have particular interests and influence in the region, thanks to their historical vantages, they should not be seen as major powers in Central Asia. What is more, India is quietly penetrating the region, but its influence is considerably limited.

The special statuses of China, Russia, and the United States in Central Asia are mainly attributed to their involvement and influence in the region, on the one hand, and to the framework of the special relations the three powers have forged in international relations, on the other. The U.S. military presence in Central Asia has deeply affected the strategic structure in the region. A three-way confrontation looms on the horizon. Dealing with the bilateral and trilateral relations among them has become a strategic issue for China, Russia, and the United States.

China's Interests in Central Asia

Chinese interests in Central Asia are clear and explicit: first, to constrain the separatist forces of "East Turkestan"; second, to keep Central Asia as China's stable strategic rear area; and third, to make Central Asia one of China's diversified sources of energy resources and a regional economic cooperation partner.

Constraining the separatist forces of "East Turkestan". The term "East Turkestan" was first used by the Russians and Europeans in the 18th century to designate the south part of Xinjiang in western China. The contemporary movement of "East Turkestan" in Xinjiang originated in the early 20th century. In 1933 and 1944, two "East Turkestan" republics were established in Xinjiang, but both of them were short-lived. These events were the first round in "East Turkestan's" independence movement. The "East Turkestan" separatists aimed to set up an independent "East Turkestan" state, sometimes engaging in terrorism and violence. The rise of international terrorism seen in the 1990s brought with it an increase in extreme activities by the "East Turkestan" forces. From 1990 to 2001, the "East Turkestan" terrorists launched more than 200 terrorist attacks in Xinjiang, killing 162 and injuring 440 people.¹ "East Turkestan" is a movement whose political goal is to set up an independent "East Turkestan" state to split China. To reach this goal, the "East Turkestan" terrorists have never hesitated to resort to violence and other terrorist means. On 15 December, 2003, China published the first list of identified "East Turkestan" terrorist organizations, namely, the "East Turkestan" Islamic Movement, the "East Turkestan" Liberation Organization, the World Uighur Youth Congress, and the "East Turkestan" Information Center.² These four "East Turkestan" organizations insist on creating an independent "East Turkestan" state using violence and were involved in the series of terrorist attacks that occurred in Xinjiang, China. Therefore, the contemporary "East Turkestan" terrorist forces have epitomized the characteristics of political separatism, religious extremism, and terrorism. Since the Han Dynasty, combating separatism and maintaining national unity have been the persistent mission of the Chinese government with respect to China's northwest. Striking at separatism is a traditional policy, which is deep-rooted in the historical past and has profound significance. It is, in a sense, a continuation of the struggle that China launched to maintain national unity.

Central Asia, as a region, is closely associated with the "East Turkestan" forces. Due to the historic, ethnic, cultural, linguistic, and religious factors, the "East Turkestan" forces have countless ties with Central Asia. A lot of ethnic groups live in Xinjiang, China, and Central Asia, including Kazakhs and Uighurs. Ethnic Uighurs in Central Asia are estimated at about 350,000, two-thirds of all the Uighurs living outside China.³ Many Uighurs living in Central Asia came from Xinjiang. Against the background of the Sino-Soviet confrontation, not without encouragement from the Soviet Union, a number of different "East Turkestan" organizations were formed in Central Asia. Thus Central Asia turned out to be the main arena for "East Turkestan" at that time, though most of the Chinese Uighurs in Central Asia are not separatists or terrorists. Some of these organizations were active even before the collapse of the Soviet Union. The independence of the five Central Asian states greatly encouraged the "East Turkestan" activists. A number of them fled from China to Central Asia and made Central Asia one of their bases. In the 1990s, the "East Turkestan" organizations in Central Asia grew quickly.

¹ See: Ministry of Information, State Department of PRC, "'East Turkestan' Terrorist Forces Cannot Get Away with Impunity," *People's Daily*, 22 January, 2002.

² See: [<http://www.xinhuanet.com>], 15 December, 2003.

³ The figure varies according to different sources. According to the 1979 official census of the Soviet Union, the total number of ethnic Uyghurs in the U.S.S.R. was 211,000, most of them (148,000) lived in Kazakhstan, (see: 'Etnosy v SSSR,' Novosti Publishing House, Moscow, 1989, p. 75). Now, according to a Chinese study, there are about 250,000 Uyghurs living in Kazakhstan, 40,500 in Uzbekistan, about 40,000 in Kyrgyzstan, about 6,000 in Turkmenistan, and about 3,000 in Tajikistan (see: *Ethnic, Religion and Conflicts in Central and South Asia*, Xinjiang People's Publishing House, 2003, p. 302). Kazakhstan's experts mostly estimate the number of Uighurs in Kazakhstan as between 200,000 and 300,000.

There are no precise statistics on the “East Turkestan” organizations in Central Asia. According to different sources, the total number of “East Turkestan” organizations in Central Asia, big or small, varies to a large extent. According to one research study, there are at least 11 “East Turkestan” organizations in Central Asia (in 2002 year). Four of the 11 organizations openly state their desire to create an independent “East Turkestan” state using force.⁴

Central Asia lies on the periphery of the region where international terrorism and religious extremism are concentrated, that is, Kashmir, Pakistan, Afghanistan, the Arabian Peninsula, and the Middle East. After the collapse of the Soviet Union in the early 1990’s, international terrorism and religious extremism surged in Central Asia and mixed and prospered with Central Asia’s own homegrown terrorism and extremism. The dramatic geopolitical changes in Central Asia, as well as the growing presence of terrorism and extremism in the region, are now affecting the security of northwest China. Many organizations of the “East Turkestan” forces conduct their activities via Central Asia. The “East Turkestan” forces obtain spiritual and financial support, as well as military training, from international terrorist organizations, including those in Central Asia, such as the Taliban, Hizb ut-Tahrir, the Islamic Movement of Uzbekistan, and the Turkestan Islamic Party. In addition, Central Asia is a safe haven for the “East Turkestan” forces fleeing China. The region is the most important conduit connecting the “East Turkestan” forces with international terrorism and serves as the main channel through which international terrorism penetrates China. Terrorist forces beyond China’s borders smuggle arms and terrorist paraphernalia into China through Central Asia, and from Central Asia organize and control terrorist activities in Xinjiang and China’s other areas.

China’s Central Asian policy is also clear and explicit: to prevent Central Asia from becoming the external base of the “East Turkestan” forces and a conduit between the “East Turkestan” forces and international terrorism. Thus, China’s Central Asian policy requires that the Central Asian governments do not pursue a policy that impairs China’s unity and supports China’s separatism, but instead restrict and prohibit the “East Turkestan” forces from conducting activities on their territory and prevent terrorist and extremist forces from sneaking into China through their territory. Since the security of Central Asia and the security of China’s Xinjiang are closely associated and Central Asia’s instability bears on the security of northwest China, as an extension of its policy, China is willing to join Central Asia and Russia in establishing a regional security mechanism, which can provide regional security with a collective security guard. This is in the security interests not only of Central Asia, but also of China. This is a central function of the Shanghai Cooperation Organization.

Securing Central Asia as China’s stable strategic rear area is part of Beijing’s overall security interests, but is also an important aspect of grand strategy and geopolitics. This differs from the above-mentioned domestic security interests, which involve combating the “East Turkestan” forces. Securing Central Asia as China’s stable strategic rear area means involving Central Asia in China’s overall external strategy and, in doing so, defining Central Asia’s position in China’s foreign strategy, as well as China’s strategic interests in Central Asia. Currently, and for the foreseeable future, China’s primary strategic mission and foreign policy priority lie to its southeast. To be more specific, the most paramount and arduous mission of China’s foreign strategy in the coming decades is to prevent Taiwan from its independence and to respond to the challenges that Taiwan could raise at any time. China’s greatest strategic pressure comes from the U.S.’s possible support of Taiwanese independence and the U.S.’s containment of China’s rise; both are likely to precipitate a Sino-U.S. strategic confrontation. Therefore, China should concentrate its resources on the main strategic front and keep other fronts stable and tranquil.

This priority clearly establishes Central Asia as China’s strategic rear, though it in no way diminishes Central Asia’s importance for China’s overall national security. Central Asia can serve China’s main interests, as long as it remains stable and part of China’s strategic rear area. For Central Asia to emerge as an area of primary strategic concern would mean a significant threat to regional stability and China’s national security.

⁴ See: Ma Dazheng, *National Interests—Highest Priority*, Xinjiang People’s Publishing House, 2002, p. 193.

Securing Central Asia as China's stable strategic rear area depends on three conditions. First, on resolving the disputed border issues between China and Central Asia and maintaining peace and security in the border areas. Both tasks have been entirely fulfilled, save a few remaining negotiations over uninhabited and inconsequential border areas. Second, on the Central Asian nations adopting a good-will foreign policy toward China and China maintaining fairly good bilateral relations with the Central Asian nations. Third, on Central Asia not falling under the control of any major power or group of major powers, especially those that have complicated geopolitical and strategic relations with China. It can be inferred that, as another basic principle and target of China's Central Asian policy, China must maintain amicable relations with the Central Asian nations and prevent these nations from being controlled by any major power or group of major powers.

Central Asia is persuaded to become one of China's diversified energy sources and regional economic cooperation partners. It is a key strategic task of the Chinese government to guarantee the energy supplies demanded by China's sustainable economic development and to diversify a stable energy supply. China's energy import has been increasing rapidly in recent years. Between 1997 and 2002, China's oil import amounted to 35.47 million tonnes: 27.32 million tonnes, 36.61 million tonnes, 70.26 million tonnes, 60.25 million tonnes, and 69.40 million tonnes per year, respectively. China's energy import doubled in five years. In 2003, China's energy import reached 90 million tonnes. China is bound to depend heavily on the international market. About 50% of China's energy import is from the Middle East and over 22% from Africa.⁵

In an effort to diversify energy supplies, China developed energy links with Russia and Central Asia. The first large-scale energy cooperation project between China and Russia for importing oil via the pipeline that runs from the Siberian city of Angarsk to Daqing on China's northeast has yet to reach final agreement. If the project can be implemented in due time, China could import 30 million tonnes of oil every year, beginning in 2010, about 20% of China's total oil import, presumably 150 million tonnes per year. Energy cooperation between China and Central Asia, mainly between China and Kazakhstan, the main oil producer in Central Asia, is presumed to be another effort aimed at diversifying China's energy supplies. In 1997, China and Kazakhstan signed an agreement to build a 3,000-kilometer oil pipeline from Atyrau in west Kazakhstan to Alashankou in Xinjiang. This project was to be completed and put into operation in 2005, but it has been delayed due to an insufficiently guaranteed oil supply, which could make the pipeline economically unprofitable. According to Chinese experts, a minimum oil supply of 20 million tonnes per year is required for economic feasibility. In 2003, this project received a new lease on life when President Hu Jintao of China, during his visit to Kazakhstan in June 2003, signed an agreement to promote building the Atasu-Alashankou pipeline. This pipeline, once built, will be connected to the Kenkiyak-Atyrau pipeline, which is already in operation. This pipeline is very likely to be built in the next few years. Meanwhile, Kazakhstan's oil production has been growing rapidly and the problem of oil supply will no longer be a serious obstacle.⁶ If this project is realized, China could import at least 15-20 million tonnes of oil from Kazakhstan every year. That means Kazakhstan will cover more than 10% of China's oil import, if China's yearly oil import totals about 150 million tonnes. As Russia and Central Asia become China's stable energy supply bases, China will have a long-term and stable energy supply and considerably reduce the risks created by the volatile international situation. Both Russia and Central Asia are geographically close to China. Maximum safety of the pipelines will be guaranteed, because they avoid the necessity of using long sea-lanes and risky sea passages and straits, which could easily fall under the powers of other states. But this has not yet been achieved. The volume of energy China imports from Central Asia has not reached the level of strategic significance. In 2002, China imported about only one million tonnes of oil from Kazakhstan

⁵ See: Tian Chunrong, "Analyses on China's Oil Import and Export in 2002 Year," *International Petroleum Economics*, No. 3, 2003, p. 26.

⁶ Between 1998 and 2002, the annual oil production in Kazakhstan amounted to 25.9 million tonnes, 30.1 million tonnes, 35.3 million tonnes, 39.6 million tonnes, 47.2 million tonnes, respectively (see: *Country Profile Kazakhstan*, The Economic Intelligence Unity, U.K., 2003, p. 46).

by rail. For the time being, China has access to only two oil fields in Central Asia, namely the Ak-tiubinsk and Uzen oil fields, which are rather small.

Regional economic cooperation is important to China's economic interests. Northwest China, particularly Xinjiang, is China's major beneficiary in Central Asian regional economic cooperation. Among the five northwest provinces of China, Xinjiang is the largest. Ten of the 16 ports in Xinjiang, authorized by the central government, are linked to Central Asia. There are also another 11 land ports, authorized by the local government. Economic cooperation with Central Asia plays a very significant role in Xinjiang's economic development. Trade with the Central Asian countries accounts for over 60% of Xinjiang's foreign trade volume. Between 1991 and 2000, the total trade volume between Xinjiang and the Central Asian countries has been calculated at about seven billion dollars, with a 45-percent-per-year increase, and it continues to grow. In the first ten months of 2003, the volume of trade in Xinjiang reached 3.5 billion dollars, about two billion of which came from trade with Kazakhstan, and was almost twice as high as that of the previous year. To promote economic development of China's West, including the northwest, the Chinese central government launched the "Go West" campaign. In so doing, the Chinese government is encouraging closer cooperation between the West and the East of China, on the one hand, and between China's West and the rest of the world, on the other. It is stimulating economic relations between China's northwest and Central Asia. In the long run, China is interested in turning Central Asia into a free trade zone within the framework of the SCO. Of course, there is still a very long way to go.

In summary, China's policy orientation toward Central Asia is based on China's main interests in Central Asia: 1) to combat terrorism, separatism, and extremism; 2) to maintain stability in the region; 3) to foster economic prosperity in the region; 4) to ensure that the Central Asian nations are amicable toward China; 5) to ensure that the Central Asian nations will not fall under the control of any major power; 6) to ensure that no military bloc directed against China is formed; and 7) to ensure that Central Asia's energy resources are open to China.

China's Posture in Central Asia

China's entry into Central Asia occurred naturally as the region became an independent geopolitical space. Since the beginning of Central Asian independence, China has exerted considerable influence over the region. First, China is geographically close to Central Asia and shares common borders of over 3,000 km with three of the Central Asian nations, Kazakhstan, Kyrgyzstan, and Tajikistan. China is also close to another two Central Asian nations, Uzbekistan and Turkmenistan. Geographically, China is a country that shares common borders with most of the Central Asian states and is the closest territorially to them. Secondly, settling border issues was an important area of work between China and Central Asia. Sino-Soviet border negotiations were underway when Central Asia gained its independence. Most of the western Sino-Soviet borders became Sino-Central Asian borders after the disintegration of the Soviet Union. Three Central Asian nations decided to side with Russia and continue border negotiations with China. The third reason is that the Chinese minorities have countless ties with the Central Asian nations with respect to ethnicity, religion, culture, history, and customs, which can only lead to special relations between China and Central Asia. Fourthly, China and Central Asia shared more than a two-thousand-year-long history of interrelations, which came to a halt only one-and-a-half centuries ago. However, deep-rooted historical relations were only frozen, never lost. The region's independence brought these dormant historical relations to the surface again. Historic memory closes the gap between China and Central Asia. The above reasons make it possible for China to become an influential major power in the region as soon as Central Asia emerges onto the world arena. Among all the influential potentials China possesses in Central Asia, the most distinct advantages are its geographical proximity, growing economy, convenient transportation network, its use of Central Asia as a pos-

sible alternative energy route with stable consumption of the region's energy resources, and its image as an equal and friendly partner. Compared with the other great powers in Central Asia, China is weaker in military influence and does not have the ability to offer the same amount of economic aid as the U.S. In addition, China's cultural and political model is less attractive to the Central Asian elite, particularly to the young generation.

The Central Asia economy was relatively backward in the Soviet era. With the fall of the Soviet Union and the disintegration of the unified economic ties, the former Soviet Union states fell into an economic recession without exception. Given this situation, Chinese goods, cheap and practical, poured into Central Asia and became the source of staple consumer goods for local citizens with a very low purchasing power. Border trade gradually developed and Chinese goods had a large market share in Central Asia. International trade is an important channel and an important representation of China's re-entry into Central Asia. As Mr. Ashimbaev, director of the Kazakhstan Presidential Institute of Strategic Studies, puts it, "trade of commodities is the key base on which China places its foot in Central Asia."⁷

In the mid-1990s, with the Taliban in power in Afghanistan, Central Asian security worsened and the threat of terrorism, separatism, and extremism grew in the region, which posed a common threat, though in different forms, to China, Central Asia, and Russia. In order to continue their cooperation and deal with the common threat after completing their border negotiations, China, Russia, and three Central Asian nations (Kazakhstan, Kyrgyzstan, and Tajikistan) formed the Shanghai Five in 1996. The Shanghai Five is an important mechanism for protecting the security of each nation, as well as an important way for China to participate in Central Asian security affairs. In 2001, the Shanghai Five was transformed into a more permanent regional cooperation organization, the Shanghai Cooperation Organization (SCO). The founding of the SCO is China's strategic pass into Central Asia, and also a breakthrough in China's Central Asian diplomacy. The founding of the SCO provides China with a security protection mechanism, an established channel for China to participate in Central Asian affairs, and a platform for China to cooperate with Central Asia comprehensively. The founding of the SCO further indicates that China and Russia have reached strategic compromises and achieved a strategic balance in Central Asia, and that they have recognized each other's interests in Central Asia and are making progress in strategic cooperation. In the Western media, however, the SCO has been described as China and Russia's attempt to prevent the U.S. and NATO from entering the Central Asian region. In summary, the founding of the SCO makes it possible for China to maintain a posture in Central Asia with strong dynamics and potential.

An important change occurred on the security and geopolitical scene in Central Asia following the post-9/11 U.S. troop deployment and fall of the Taliban. Russia and the U.S. cooperated in Central Asia beyond all expectations, the Central Asian nations leaned toward the U.S. politically, and the U.S.'s influence over Central Asia grew remarkably. This change has substantially affected China's posture in the region. Commentators believe that the events of 9/11 compromised the role of the SCO in its protection of Central Asian security and stemmed China's growing influence in Central Asia, which had an unfavorable effect on China's posture in Central Asia. As Eugene B. Rumer puts it, "A regional power broker prior to 11 September, China now finds itself marginalized, displaced, and virtually alone, pondering the unenviable (for Beijing) option of playing second fiddle to the United States and a host of its newfound best friends. No matter how much China gains from the U.S. military campaign—and there can be little doubt that it has been a beneficiary of the campaign against Taliban and the ensuing blow to the operations of its own Uighur militants—U.S. preponderance in Central Asia must be a serious setback to a government that aspires to the role of an Asian superpower."⁸

It is true that the geopolitical changes in Central Asia in the wake of 9/11 came as a surprise to China. Notwithstanding, its impact on China and China's self-assessment of its situation are not as strong and

⁷ *Collection of Papers on the Central Asian Situation and Shanghai Cooperation Organization*, Shanghai Institute for International Studies, Shanghai, 2003, p. 235.

⁸ E.B. Rumer, "SShA i Tsentral'naia Azia posle 11 sentiabria," *Strategic Forum*, No. 195, December 2002, p. 3.

pessimistic as perceived by some foreign analysts. The main reason for the discrepancy lies in the fact that these foreign analysts are highlighting the competition and rivalry between China and the U.S. and observing Sino-U.S. relations through the lens of geopolitics, while China, though aware of the geopolitical factors, does not regard Sino-U.S. relations as natural competition and confrontation, nor does China automatically regard an encounter between China and the U.S. in any region as equivalent to a Sino-U.S. confrontation. Sino-Russian relations have not changed since the improvement of Russo-U.S. relations. China's relations with the Central Asian nations have not been ostensibly undermined. The SCO sustained its development and grew, rather than becoming paralyzed, as some analysts anticipated. Thus, China's strategic standing in Central Asia has not been devastatingly undermined, only challenged, by the post-9/11 geopolitical changes in Central Asia.

Russia's Interests in Central Asia

Russia's interests in Central Asia are very complicated. Russia has countless nexuses with Central Asia in terms of history, culture, humanity, and psychology. Furthermore, Russia is still in the process of adjusting its relations with Central Asia after the latter ceded from the Russian Empire and the Soviet Union. Overall, their relations are still in a state of flux.

History matters in identifying Russia's interests in Central Asia. Russia's interests in Central Asia depend not only on material benefit, but also on nostalgic feelings and psychology. In other words, Russia's interests in Central Asia are in part real, and in part emotional and psychological, which is surreal and virtual, and even unrealistic.

Russia's core interests in Central Asia are to maintain its special relations with Central Asia with respect to politics, economics, security, culture, history, and language. While Russia's policies in Central Asia do reflect real interests, they are also based on the historical legacy of Russian-Central Asian relations. This legacy continues to color Russia's perception of reality and of Central Asia. Great changes have occurred in Central Asia, and Russia has been slow to react to these developments. These changes, which include politics, economics, culture, social life, and geopolitics, will eventually lead to a redefinition of Russia's concept of Central Asia and to an eventual change in Russia's overall interests in Central Asia.

Among Russia's realistic interests in Central Asia, security interests are the most vital, especially while Russia is still adjusting to its post-Cold War position. Russia's security interests in Central Asia are multifaceted. The first includes the struggle against international terrorism and religious extremism, and the second is fighting the HIV/AIDS epidemic, while the Russian government also considers drug trafficking a threat to Russia's national security.

The third dimension of Russia's interests in Central Asia is regional stability. Central Asia is near Russia, and the five newly independent CIS nations are Russia's neighbors or part of its "near abroad." The regimes in the Central Asia countries are weak, their economies are limping, and their societies are severely fragmented, which provide fertile soil for terrorism and extremism and are elements of regional instability. Any instability in Central Asia will have immediate repercussions in Russia, which will incur undesirable political and economic costs for Russia, given the fact that Russia is actively present in Central Asia and has special relations with and commitments to the region.

Russia's security interests in Central Asia are to ensure Central Asia as Russia's backyard and prevent it from being controlled by other major powers and posing a strategic threat to Russia. After 9/11, Russia allowed the U.S. to deploy its troops in Central Asia to attack the Taliban in Afghanistan, which helped to eliminate or alleviate the security threat inflicted by international terrorism on Russia and was thus in Russia's security interests. Actually Russia could have done nothing to stop the U.S.'s military entry, given the international atmosphere at the time and Kyrgyzstan and Uzbekistan's invita-

tion. Although the U.S. set up military bases in Uzbekistan, Tajikistan, and Kyrgyzstan after 9/11, Russia does not want to see a long-term U.S. military presence in Central Asia.⁹

Economic interests are Russia's important interests in Central Asia, both in economic and political terms. In spite of the weakening economic relations between Central Asia and Russia during the last decade, the Central Asian nations still maintain close economic relations with Russia and are one of the most likely regions in the CIS to integrate with Russia economically. This is in Russia's interest, and the region's transportation infrastructure currently makes Russia the best avenue of export for Central Asia goods.

Russia's other important interest in Central Asia is controlling the energy outlets. Central Asian nations are rich in energy, but in the past their export routes have been entirely controlled by Russia. Russia takes advantage of its geographic privileges and infrastructure to control the transportation of Central Asian energy export, which not only helps Russia to exert its political influence on Central Asia, but also brings enormous economic benefit to Russia.

Russia has an enduring cultural connection with Central Asia. Central Asia is home to a great many ethnic Russians, which constitutes Russia's special interests in Central Asia. By the time the Soviet Union collapsed, ethnic Russians accounted for about 20% of the total population in Central Asia. Now ethnic Russians in Central Asia are estimated at about six million and account for about 12% of the total population in Central Asia.¹⁰ Protection of Russians' rights and equality in Central Asia has been increasingly regarded as one of Russia's important national interests and policies in Central Asia. Thus, ethnic Russians have become an important lever by which Russia exerts its influence on Central Asia.

Russia's Posture in Central Asia

Russia's standing in Central Asia is different from China's. While China is raising its posture in Central Asia from scratch, Russia is retrogressing continually from the days when Russians were ubiquitous in Central Asia. Russia lost its overall influence on the Central Asian nations, which sought independence and tried their best to throw off Russia's control. As the Russian media reports, "Russia today is politically unstable and economically unattractive. The lifestyle and standard of living of a considerable number of Russians are not attractive to most Central Asians. Russia's culture is not unique. Finally, Russia's armed forces today are not exalted or emulated."¹¹ It was natural that Russia's influence in Central Asia would decline.

It was not until the late 1990s that the decline of Russia's influence in Central Asia went into reverse. Since taking office in 2000, President Putin paid more attention to Russia's strategic and economic input in the CIS, including in Central Asia, and made some tactical adjustments. Russia shifted to a more placatory policy toward Central Asia, with less highhandedness. It replaced pure high pressure with the combination of carrot and stick, thus increasing Central Asia's attraction to Russia. Tactically, Russia assumed a new approach to Central Asia, emphasizing bilateral instead of multilateral approaches.

⁹ The latest demonstration of this position was made by Sergei Ivanov, Russian Defense Minister, at a NATO defense ministers' meeting on 9 October, 2003.

¹⁰ Between 1989 and 1999, ethnic Russians in Kazakhstan decreased from about six million to about four and a half million, but they still account for more than 30% of the total population of Kazakhstan. More than 150,000 ethnic Russians have left Kyrgyzstan, their percentage decreased from 15% to about 10%. In 1989, the number of ethnic Russians in Uzbekistan amounted to 8.3% of the country's total population, now it is about 5%. In Tajikistan, the number of ethnic Russians fell from 8% in 1989 to about 2% (see: *Country Profile Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan*, The Economic Intelligence Unity, U.K., 2003).

¹¹ M. Khogarenok, "Nenuzhniy soiuz," *Nezavisimaya gazeta*, 21 January, 2002.

Putin's policy worked. Since 2000, Russia's influence in Central Asia has risen. Bilateral relations have developed between Russia and the Central Asian states. In particular, Russia's relations with Turkmenistan and Uzbekistan, lukewarm in the past, have improved remarkably.

In terms of economic cooperation, Russia is recovering its influence in Central Asia. In October 2000, the Eurasian Customs Union, involving Russia, Kazakhstan, Kyrgyzstan, Tajikistan, and Belarus, was transformed into the Eurasian Economic Community, a significant advancement in economic integration between Russia and Central Asia.

The Russian-led Collective Security Treaty Organization (CSTO) has seen substantial progress. In May 2001, the CSTO, comprising Russia, Kazakhstan, Kyrgyzstan, Tajikistan, and some other CIS states, decided to set up the Rapid Reaction Force. On 23 May 2003, the first military airbase of the CSTO, Kant airbase in Kyrgyzstan, went into operation. Russian President Mr. Putin and Kyrgyzstan President Mr. Akaev attended the ceremony. Kant airbase is located near Bishkek, the capital of the country, and it is very close, about 30 kilometers, to Manas airport, where American and alliance's military forces are deployed. About 10-15 Su-25 and Su-27, some military helicopters, transporters, and about 500 troops will be permanently stationed at Kant airbase.¹² This demonstrated that Russia has made new progress in the military sphere in Central Asia, though it is still unclear whether this move is more about politics than about practical security needs.

The events of 9/11 undoubtedly dealt a blow to Russia's presence in Central Asia.¹³ The U.S. presence in Central Asia undermined the concept that Russia was the only power entitled to deploy troops and have a military presence in the region. This is a major U.S. encroachment into Russia's sphere of influence and constitutes one of the tremendous changes in Russia's geopolitical posture. In fact, no part of Russia's sphere of influence has been able to deny U.S. troops since. Following the events of 9/11, the Central Asian nations began leaning toward the U.S. to various degrees. Although the U.S. has not made any explicit commitment to Central Asian security, its military presence in Central Asia per se offered a security alternative to the Central Asian nations, which further eclipsed Russia's role in Central Asian security and especially the role of the CSTO.

Notwithstanding Russia's declining strategic presence and influence in Central Asia in the wake of the Soviet disintegration, and the events of 9/11 as well, Russia is still the most deep-rooted power in Central Asia. Russia has been in Central Asia for one-and-a-half centuries and has strong political, economic, military, cultural ties with Central Asia, which cannot be cut off overnight. Most of the Central Asian elites were educated in the Soviet Union, and in Russia in particular. Central Asians speak Russian, listen to Russian broadcasts, watch Russian TV, and are familiar with the members of the Russian elite and celebrities. Many Central Asians have relatives and friends in Russia. Central Asia has close ties with Russia in social life as well. There are no obstacles in language and thinking habits between the elites of Central Asia and Russia.

Russia is still the most important trade partner of the Central Asian nations, though their share in Russia's foreign trade has fallen. Russia is the largest trade partner of Uzbekistan and Kazakhstan. Russian-Uzbekistan and Russian-Kazakhstan trade accounts for 16% and 35% of the latter's foreign trade, respectively. Although the Central Asian nations place great hopes on the West's developed countries, Russia is still the major market for their products. Energy is Central Asia's most important asset, but its outlet is basically controlled by Russia. Turkmenistan's natural gas and Kazakhstan's oil generally need Russia's pipelines for their export notwithstanding. The situation will not change much until the Baku-Tbilisi-Ceyhan (BTC) pipeline is put into operation.

The Central Asians depend greatly on Russia for their security and defense. Tajikistan's border is patrolled by Russian troops. Central Asian officers are trained in Russia. Central Asian armaments are provided mainly by Russia. The Eurasian Economic Community and the CSTO are two levers with which

¹² See: R. Streshnev, "Shchit dlia Tsentral'noi Azii," *Krasnaia zvezda*, 24 October, 2003.

¹³ Some people, like Eugene B. Rumer, assume that Russia is a major beneficiary of the events of 9/11 (see: E.B. Rumer, op. cit.). This is true in terms of eliminating the Taliban's threat to Russia. It is irrelevant to Russia's interest in its strategic presence in Central Asia.

Russia can rally the Central Asian nations. The Eurasian Economic Community is a political and economic lever, and the CSTO is a military and security one. It should not be forgotten that the shock which the post-9/11 and the Central Asian geopolitical changes gave Russia nevertheless boosted Russia's strategic presence in Central Asia. In May 2002, Russia hosted the conference that decided to turn the Collective Security Treaty into the CSTO. Kant airbase in Kyrgyzstan was the first one Russia set up in Central Asia following the fall of the Soviet Union.

The former Soviet Union, including Russia and the Central Asian nations, has sped up its economic integration since February 2003, when the Eurasian Economic Community held its first summit in Moscow. In April 2003, Russia and Turkmenistan signed a 25-year-long agreement on energy cooperation, which indicated great progress in their relations, not only in economic, but also in political terms. Undoubtedly, Russia has resumed the momentum of its political, economic, and security expansion in Central Asia.

(Concluded in the next installment)

GUUAM: ITS CURRENT STATE, RISKS, AND PROSPECTS

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Cooperation within GUUAM (Georgia, Ukraine, Uzbekistan, Azerbaijan, and Moldova) has been made possible due to the spread in so-called "geopolitical pluralism" in Eurasia, which owes its existence to the disintegration of the Soviet Union and the ensuing decline in Russia's influence. For Ukraine, these circumstances have led to a unique situation in which Kiev has the opportunity to make a name for itself in the geopolitical role of "East European communicator."

We can predict that GUUAM's future place and role in the system of international organizations will be defined by what this union manages to achieve in its interaction with the European Union; the extent to which it can coordinate its own policy with U.S. strategy in the Caucasus and Central Asia; and the degree to which it can compete with other Eurasian international structures. In this context, it is important to understand that in the shorter term GUUAM could compliment interstate cooperation in the European vector, thus ensuring its own political stability, positive results in the economic sphere, and productive conflict-settlement measures.

The foreign policy orientation of this organization hinges on its divergence with Russia's integration plans, which makes them rivals, as well as geopolitical competitors in Eurasia. This is because they want to have a strategic advantage and gain control over the hydrocarbons of the Caspian Basin, over the goods and energy transportation routes along the Great Silk Road, and over the markets of the Central Asian and Caucasian countries.

Cooperation within GUUAM is helping Ukraine to implement its policy aimed at stepping up Euro-Atlantic and European integration, as well as to develop international projects in formats which meet the new tasks, without ruining equal political and economic cooperation with Russia in the process.

GUUAM is an interstate cooperation organization which gives Kiev a stronger foothold in projects designed to create a southeast system of energy and transportation corridors and to ensure Ukraine's access to the production, commodity, and raw material markets of Central Asia and the Far East. Another particularly important aspect is that this structure is providing Ukraine with the opportunity to carry out the strategic task of diversifying the routes, agents, and sources for supplying our country's economy with energy. In the final analysis, GUUAM can be seen as an important stage in the development of Baltic-Black Sea Cooperation (BBC).

This organization is also attractive to European communities. Their interest is shown in the European international conferences held every year, at which the problems of developing this union and the ways it could cooperate with the European Union are discussed. For example, a meeting of the Committee of National Coordinators (CNC) of the GUUAM member states held in March 2004 in Baku, in which representatives of the World Bank, OSCE, U.N., and TRACECA program participated, was also attended by representatives of the European Commission. Germany and Poland are showing the most interest among the European countries (Ukraine has entered an agreement with Poland on implementing an oil pipeline project Odessa-Brody-Plock-Gdansk). It is obvious that the interests of the European countries are primarily conditioned by the need to diversify their own energy supply, the desire to ensure their own security, and the European Union's striving to participate in the Eurasian process. For the European Union, the development of Eurasian communication systems and cooperation is a significant strategic component (although not entirely clear-cut) of its foreign policy aimed at ensuring the prospects for Europe's geopolitical development, in general, and turning it into a special world center, in particular.

Taking into account the factors presented, it should be emphasized that GUUAM, despite the domestic political situation and the changes in relations with the U.S., Russia, and China, is a strategically important segment of European geopolitics, economics, and security. While understanding the specific nature of GUUAM-Russian relations, Europe is inclined to perceive this organization as a potential ally on which it can rely when carrying out its own world policy. But Europe considers it premature to openly demonstrate this stance.

In this respect, Ukraine should concentrate on developing relations within the framework of GUUAM-BSEC (Black Sea Economic Cooperation Group), which could strengthen Kiev's foothold and arguments in its relations with the EU, primarily in terms of its European integration efforts.

Today it should be recognized that in the context of the Eurasian process, GUUAM has become the interstate cooperation organization able to successfully compete with Russian integration projects. Recognizing this fact, perhaps even before the member states of this structure recognized it themselves, Russia first did everything to undermine it, and is still opposing its development. This is demonstrated at least by the fact that, when commenting on Ukraine's contradictory steps, the pro-Russian mass media try to show GUUAM's lack of prospects and the inefficacy of its main projects, the most prominent of which is the Odessa-Brody-Plock-Gdansk oil pipeline mentioned above.

It appears the time has come for Kiev to realize once and for all that GUUAM, as a natural symbiosis of the interests of its member states, runs counter to Russia's interests and vision of a cooperation organization. Past experience shows that there is no point in counting on equal relations with Russia along the lines of the "cooperation model," but that the "competitive model" cannot be put to bed either. It should be taken into account that, based on its hopes to implement the idea of a "Great Russia," Moscow will try to destroy interstate unions in which it cannot be represented, or, if it becomes a member, in which it cannot dominate. Particularly since it sees GUUAM's political and economic function as a geopolitical threat to the Russian Federation.

The U.S. is paying special attention to GUUAM, with which a separate agreement has been entered—a Framework Program on assistance in trade and transportation, on ensuring border and customs control, and on fighting terrorism, organized crime, and the illicit circulation of drugs and weapons. In 2001-2004, the United States granted the GUUAM countries approximately two billion dollars. An international GUUAM conference was held at the beginning of 2003 in Baku with U.S. representatives in attendance, which gave a new boost to resolving stability and security issues in the region, to eliminating the con-

sequences of natural and man-made disasters, and to fighting organized crime and terrorism. In April of the same year, another conference on the same theme was held, and then other functions were organized. What is more, a GUUAM Law Enforcement Center, which unites the police, border, and customs structures of the member states, was set up with U.S. financial support. At the end of 2003, with Washington's help, GUUAM was granted observer status at the U.N. observer, is successfully implementing the Framework Program mentioned above, and is looking into other promising areas of cooperation.

By carrying out a global policy which places particular emphasis on the geopolitical significance of Central Asia and the Southern Caucasus, the U.S. is making its mark on the overall development of the situation in the Eurasian region. Some Eurasian interstate formations, primarily those which do not share U.S. interests (for example, EurAsEC), will obviously have to deal with Washington's call for greater integration. What is more, it is presumed that if the United States successfully carries out its plans, the "eastern nature" of the Eurasian region will be geoculturally transformed to a "western nature," and there will be a certain modification in the region's civilizational development, as well as a revival of international cooperation in this expanse. In this context, GUUAM's international position looks very attractive, but only if this union demonstrates its viability, let's say, by raising its political responsibility, making clear progress in project implementation, improving its administrative management, and bringing joint policy into harmony with the European and American vision, and so on.

In this context, particular expectations were placed on the decisions of the 2003 GUUAM summit, which, when carried out, were to inspire greater mutual trust in the relations among the member states and evoke optimism in the success of a common cause. At this juncture, we should just mention that these expectations were too high. On the one hand, the member states overestimated their own possibilities, and on the other, they put too much emphasis on the importance of implementing the agreements reached. Nevertheless, a significant amount of progress has been made since the summit in the following important areas:

- creating a free trade zone (in the near future Moldova will complete ratification of a corresponding document). The GUUAM working group for trade and the economy is responsible for executing this agreement; in 2004 there are plans to carry out mutual liberalization of trade conditions and remove the barriers hindering the free movement of goods and services;
- introducing a system for assisting trade and transportation (a regional strategy and action plan have already been coordinated for implementing this project);
- improving the activity of the GUUAM office. As early as 2004, there are plans to raise its status and extend its powers, turning it into the organization's Secretariat;
- organizing GUUAM's Virtual Center against terrorism, organized crime, drug circulation, and other crimes;
- forming the GUUAM Interstate Information and Analysis System (IIAS);
- establishing customs cooperation among the member states;
- coordinating joint activity of the border departments;
- strengthening contacts for developing scientific and technical projects;
- carrying out the activity of the organization's business council;
- developing ties in tourism (creating a tourism council of the member states and a corresponding Virtual Center; drawing up priority projects and joint action plans), and so on.

What is more, integrated implementation of the GUUAM-U.S. Framework Program is guaranteed; agreements have been reached with the EU European Commission on supporting the most recent project on the Eurasian oil transportation corridor; close ties have been established with the Southeast European Cooperation Initiative; in keeping with the Ukraine-NATO Target Plan for 2003 (within their Action Plan), ongoing information exchange has been established with Caucasian and Central Asian partner states on Kiev's cooperation with the North Atlantic Alliance in peacekeeping activity (which

shows NATO's desire to develop ties with GUUAM); a special NATO project called the Virtual Silk Road has been put into operation, which is a satellite system of electronic information exchange for the Caucasian and Central Asian countries (rendering them assistance in developing national research and educational networks).

But, according to our evaluation, only 14 of the 70 provisions contained in the GUUAM Action Plan for 2002-2003 could be fully carried out, and 38 partially. Of course, this state of affairs does not satisfy the member countries, which means the political and organizational implementation of the intended plans must be significantly augmented. In this way, despite the above-mentioned achievements, GUUAM's state in recent years can be evaluated as invariably feeble and ineffectual. However, it cannot be said that the union has lost its potential and prospects just because it has been unable to gather the necessary momentum. It can be described as being in a state of "creative pursuit," that is, at the transition stage from an extensive to intensive development model.

There are several reasons for this state. The main ones are the low level of activity and the frequent contradictoriness in Ukraine's own behavior as the organization's potential leader; institutional—domestic political and administrative—poor management, related not so much to expert or procedural competence (or incompetence), as to a tendency toward rigid strategic thinking and political responsibility in carrying out the adopted decisions; lack of coordination in the foreign policy actions of the member states; lack of balance in the interests represented in the projects, and at times in the participation of the union's member states: cooperation at a multilateral level should reflect the participation of each state in a particular project; the poor diplomatic skills of the member states, as well as their inexperience in implementing large-scale business and political projects (particularly since such plans are united under the roof of a not yet stable international structure); Russia's efforts to bring the organization's achievements to naught (against the background of geopolitical competition between the U.S. and Russia in Central Asia, the Caspian Region, the Caucasus, and Eastern Europe); and only last, a shortage of funds.

But is this enough to understand: is GUUAM confidently developing and becoming a serious cooperative international player, or will this organization ultimately lose its worth and fall apart? Can the extensive rate of its development be considered objectively caused? It is thought that taking into account the political circumstances in which it existed (and exists), it would not be right to count on the high rate of reinforced cooperation desired, but to give an identical assessment would fall in line with the efforts of pro-Russian sources to ideologically and informationally discredit the union. For we cannot ignore the achievements of this structure (which were mentioned above). In our opinion, it "...is more alive than dead."

The political transformations that occurred in the member states had a significant impact on the state of affairs: the elections in Azerbaijan and Georgia, Moldova joining the Stability Pact and the Southeast European Cooperation Initiative, the reintegration efforts of Kishinev and Tbilisi, as well as Kiev joining another Russian integration project (Single Economic Space of Belarus, Kazakhstan, Russia, and Ukraine-SES), and the furor around the Odessa-Brody oil pipeline.

For all their domestic acuteness, the outcome of the elections in Azerbaijan and Georgia gives reason to believe that the leaders of these two countries will continue to support GUUAM's development and strengthen the union's international position. The negative impact on Georgia's participation in GUUAM could hinder its state reintegration or promote an increase in military and political confrontation (the emergence of which is related to the risk of foreign support of the separatist formations in Abkhazia and South Ossetia). This negative course of events will unequivocally lead to an abrupt decline in GUUAM's prospects, to reconsidering the union's development strategy as a whole, and to its political stagnation. This makes the current situation in Georgia a focal point of GUUAM's activity. In this respect, rapid political, territorial, and economic stabilization, as well as successful completion of its state reintegration, would meet Ukraine's national interests. So within the scope of its possibilities, Kiev should carry out a set of measures aimed at resolving these problems, since any other scenario will likely send GUUAM to its grave.

Along with the reintegration difficulties, Moldova's joining the Stability Pact for Southeast Europe (2001) has meant a certain decrease in Kishinev's participation in building up GUUAM. This was clearly

demonstrated in the Moldovan leadership's contradictory stance during preparations for the organization's regular summit in 2004. It appears that Kishinev would like to distance itself from GUUAM, placing great hopes on its participation in the mentioned Pact, on the Southeast European Cooperation Initiative, on bilateral cooperation with the U.S. (which in 2003 alone gave Moldova 41.3 million dollars in technical assistance), as well as on relations with the EU and the OSCE. Moldova began drawing closer to Uzbekistan, which was disillusioned not so much with the political, as with the economic cooperation within GUUAM: in Tashkent this structure is currently considered an organization with dim prospects.

But all the same, despite the skepticism these two states are showing about GUUAM's prospects, Ukraine's position is considered the determining factor in the development of this organization. It should become the political bastion for its member states and a center for producing and implementing common projects, that is, Kiev needs to acquire certain qualities of GUUAM's leader. But in the meantime, in contrast to Uzbekistan, which clearly upholds a particular foreign policy, Ukraine could carry out equidistant maneuvers between Russia, the EU, and the U.S. A vivid example of this is the ongoing story with Ukraine's consent to reverse, and now, to "general" use of the Odessa-Brody oil pipeline. This same policy is also being extrapolated to actions within GUUAM, which is preventing this international organization from precisely defining its foreign policy strategy. It is obvious that this "flexible" policy carried out by Kiev has little in common with the stance of a responsible leader.

The same goes for Ukraine joining Russia's next integration inspiration, the creation of an SES, which was a particular blow to GUUAM and greatly disoriented its other member states. It also had a negative effect on partnership trust toward Kiev. This circumstance augmented the centrifugal trend in GUUAM much more than all of Russia's previous attempts to compromise the corporative project put together. And whereas Europe sees Ukraine's membership in the SES as just an intrigue, which could evaporate if our country integrates with the EU (in the medium term), GUUAM sees this step as a threatening gamble. If, contrary to objective reason, there is a political and ideological split in GUUAM's basic triangle—between Azerbaijan, Georgia, and Ukraine—this international organization will surely be headed for stagnation and collapse.

Kiev's role in GUUAM is hard to overestimate. For instance, it is responsible for the vital political procedure of drawing up and introducing into this structure a common/joint stance on cooperation with the U.S. and the EU (which was done at the meeting of the OSCE Council of Ministers in Maastricht, the Netherlands, in December 2003), or with Russia, for example. This particularly applies to Moscow. A political dialog and negotiations in the economic sphere concerning the common interests of the member countries must be held in the name of GUUAM with a common stance coordinated by it in advance. This will make it possible to significantly reduce the risk of more powerful players deceiving the organization's member states and to raise the level of responsibility of the latter. Ensuring this procedure will cement the organization politically, raise both internal responsibility, as well as partnership and alliance mutual trust, thus turning GUUAM into a structure which "confused" Kishinev and "pessimistic" Tashkent, for instance, would like to see.

The prospects for the Iranian-Ukrainian gas pipeline and Kazakhstan's hypothetical membership in GUUAM, which will no doubt eventually become a participant in the Baku-Tbilisi-Ceyhan oil pipeline, indicate the expediency of stepping up the political and institutional processes in GUUAM on Kiev's part (internal administrative work aimed at producing different, primarily specific projects). (Today it would be sensible to offer Astana at least the status of observer in GUUAM.)

Along with the low socioeconomic indices of the organization's member states, GUUAM's greatest shortcomings are the organization's weak coordination of its overall policy and absence of political will among the national elites. The efficiency of the organization's key structures must be accelerated: its working groups, the CNC, the Council of Foreign Ministers (CFM), and the GUUAM Office. The organization should also make use of European experience, according to which the internal organizational paradigm envisages gradually creating executive institutions based on economic ties and security interests, which were formed (and will continue to be formed) in harmony with the organization's urgent and priority tasks. It would also be advisable to analyze the experience of the Vyshegrad group

when promoting GUUAM's further development, which could serve as a particular organizational example.

Progress in this area is manifested by the adoption of a declaration on ensuring stability and security in the region, agreements on creating a GUUAM Parliamentary Assembly, and so on, which should also be counted among the organization's achievements. And further strengthening of relations at the level of the GUUAM member state parliaments will be an additional stimulus to developing cooperation among the participant countries. In this respect, Ukraine, in particular its parliament, the Verkhovnaia Rada, needs to boost its activity.

Organizationally, GUUAM must concentrate its efforts on drawing up a joint strategy for its member states to enter NATO and the EU, which would strengthen security in the Black Sea-Caspian Region and restore partnership confidence measures in the relations among its countries. At the current stage, it would be a good idea to more actively implement already approved trade, energy, communication, and infrastructure (transportation) projects and raise the working efficiency of its key groups.

An important role will be played in GUUAM's institutional and political development by the location of its executive bodies. The organization's "capital," in our opinion, should be in Yalta. The reasoning behind this is that it was in Yalta that GUUAM was recognized as an active international structure, as well as that this city lies on the communications routes which are a target of business cooperation within the organization. It is thought that the partner countries will positively assess this proposal put forward by Ukraine. What is more, in terms of distance, Yalta is the most acceptable and convenient place for meetings, and they, of course, will now take place much more frequently.

Other grounds for this decision is that the Crimea is somewhat isolated from the rest of Ukraine today, and placing GUUAM's central working structure here would help to draw the peninsula more into our country's sociopolitical and foreign economic life. It would also be wise to put an end to the historical perception of Yalta as the city in which the heads of state of the anti-Hitler coalition signed documents on the division of Europe after World War II.

In the general context of Kiev's foreign policy, it is well to see GUUAM as a priority component of the "European choice" strategy, which would promote Ukraine's geopolitical development. In particular, it would give it additional room for political maneuver. Kiev's re-assessment of GUUAM, from a simple political and economic international organization to a pro-European Eurasian geopolitical formation, would be extremely timely, since in other foreign policy areas—Russian and European, with Ukraine's policy aimed at distancing and integration, respectively—its efforts can hardly be called successful (this is a long-term prospect). What is more, Ukraine's strategic partnership with the major world players is not very productive (there are several reasons for this, but the main one is the geopolitical rivalry of the latter against the background of the incompatible possibilities of our country and its orientational diversity, that is, its "multifacetedness").

We should also pay attention to the fact that in the geostrategic sense, Kiev's short-term prospects are not developing in the best way: keeping in mind the European and domestic situation, cooperation with the EU will not develop very well, while developing cooperation with the Russian Federation is burdened with Moscow's intentions to revive "Great Russia," which will cause state stagnation in Ukraine. So it would be good for our country to develop relations in a different geopolitical vector, through the GUUAM system as a model (which differs from the Russian) of Eurasian cooperation within the Great Silk Road.

Keeping in mind the dynamics of the development of the Shanghai Cooperation Organization (where the key, but still not the leading, participant is the PRC) and the possibility of cooperation between GUUAM and the SCO, it would be sensible to draw up a prospective plan for their interaction. This will make it possible to broaden the field for reinforcing the political dialog and partnership on a multilateral basis.

The results of a study of the political processes going on in the SCO shows significant discrepancies between Beijing and Moscow regarding this structure's policy. It is obvious that Russia's motivations go far beyond the boundaries of economic cooperation, since the RF is trying to give the SCO a more pronounced political bent. In our opinion, the Russian factor is setting up a certain amount of geopolitical

rivalry with the U.S. in the SCO's policy, which is causing tension in the organization itself. Zhang De-guang, SCO Executive Secretary, said during his working visit to Tashkent on 9 March, 2004 on this account that "...the Shanghai Cooperation Organization is a peaceful community and is not looking for confrontation with any other international organization or interstate alliance." In so doing, he emphasized that he did not see any reason to consider the SCO and NATO opposing sides, particularly given today's fight against international terrorism and extremism. This statement can be evaluated as the result of Moscow's permanent manipulation of the SCO's potential on the international arena, as well as, first, an expression of opposition to Russia's plans to involve Beijing and its zealously guarded SCO in the foreign policy rivalry with the U.S. for influence in Central Asia, which China believes to be premature, and, second, as an attempt to assure the United States and Europe of the PRC's immutable stance regarding the SCO's behavior in world politics.

Recently, the polemics between Beijing and Moscow have come down a tone or two, which made it possible to constructively prepare the agenda for the recent summit and successfully hold it. But, as the comments of Chinese representatives show, Beijing is still worried about this problem and looking for more effective ways to influence Moscow's behavior. The PRC is striving to enlist greater consolidated support for disavowing Russia's policy, which, as we have already noted, is tending toward using the SCO as a tool for implementing its own global policy. China considers such actions risky for the organization (in any case, premature). It is very likely that Beijing's efforts in this area are conditioned by the shaky political stances of several SCO member states (Kazakhstan, Kyrgyzstan, and Tajikistan), which are drifting toward Moscow.

China is cautiously, but persistently, looking for partners which could join the SCO and become reliable co-members for the PRC in ensuring greater stability in this organization's policy. Ukraine just happens to be one such potential partner. (By the way, Beijing has already said unofficially that it wishes to see Kiev among the SCO's members.) Based on this, it is expedient for Ukraine (at least taking into account the prospect of greatly extending its room for foreign political maneuver) to develop a political dialog with China in this area. But, in our opinion, Kiev's participation in this structure would be more efficacious within the framework of GUUAM-SCO cooperation. This flexible format of interrelations, by creating a GUUAM official representative office under the SCO, for example, would allow Ukraine to develop bilateral relations with the PRC and realize its own interests at the same time (let's say within the framework of Kiev's foreign economic policy); to be in the epicenter of the political process in the SCO and correspondingly define its tactics in it; to avoid the risk of being drawn into an open dispute between Beijing and Moscow; to assist in carrying out a policy in Central Asia advantageous to GUUAM; to retain the possibility of joining the Shanghai Cooperation Organization; and to confirm Kiev's position in GUUAM as the organization's leader.

Restructuring of the Eurasian communication and oil and gas supply systems to Europe and the U.S. is making the need to ensure political stability, create a favorable business environment, improve and raise the region's economy, and strengthen its security system more urgent. This prospect requires drawing up a general strategy for GUUAM's development, in which the communication and energy issues should be combined fundamentally with safety of the communication systems.

Ukraine's partner countries in GUUAM objectively face the need to quickly settle conflicts, create an interregional zone of stability and security, and ensure conditions for developing economic cooperation.

An important aspect of forming Ukraine's regional foreign policy and developing GUUAM should be recognizing further "militarization" of international relations, since the concept of security is still indelibly related to force and to protecting society and its national interests primarily by militaristic means. But the culture of peace in international practice is in no way a reality, but merely a reference point, a long-term goal. Based on this, it should be kept in mind that the military defense segment of security remains a determining factor.

With respect to GUUAM's prospects, we also need to mention the development of Baltic-Black Sea Cooperation, since political and economic relations along the North-South axis are making Europe

geopolitically stable as a whole. In this context, BBC looks quite promising. Based on this, and also taking into account its geographical location, Ukraine should fulfill its own natural function as communicator.

But the situation could radically change after Bulgaria and Rumania join NATO, and Turkey joins the EU. It is possible that this will help to form a new unifying center, even a new arc between North and South, which will pass through the Baltic countries, Poland, Slovakia, Hungary, Rumania, and Bulgaria. Of course, this development scenario will have a very negative effect on Ukraine's interests. In order to prevent this, Kiev should develop the idea of strengthening cooperation between BBC and GUUAM. After all, the states of Western, Northern, and Southern Europe are trying to create reliable communication routes with Asia as a whole. Based on this, it is very important that our country form a Caucasus-Central Asia link, since in Moscow's other alternative (Russia-Kazakhstan), Ukraine and the Caucasian countries will find themselves left out of this partnership.

If this happens, the situation will have threatening geopolitical consequences: Russia will gain control over the continental communication systems and GUUAM's foreign economic policy, and Moscow will have greater opportunities to engage in speculative behavior on their domestic markets. In this respect, it is strategically important for Ukraine and the other GUUAM members to recognize the obvious threats to their common economic interests from Russia, which is trying to monopolize the reforming Eurasian communication system. This is turning GUUAM into something more than just an international organization not only for our country, but also for the other participants in the organization. In this way, in the medium term, GUUAM is an effective vector for realizing Ukrainian strategic interests, so this organization should become the focal point of Kiev's foreign political and foreign economic attention. Our country currently has all the necessary conditions for carrying out this assignment.

An analysis of the state of interstate cooperation in the GUUAM format makes it possible to determine the top priority political problems which require urgent attention. They are the following:

- ensuring an appropriate political climate by intensifying the dialog among the GUUAM member states (at present, interaction with Moldova is being activated to ratify the agreement on creating a free trade zone for the organization, and with Uzbekistan to clarify Tashkent's current standpoints and come to terms on the areas of further cooperation);
- creating a standing Secretariat (this requires extending the authorities of the organization's Office), under which it would be appropriate to form a separate expert group for strategic planning (with consultative and advisory functions), the activity of which should be directed at removing the shortcomings of administrative management;
- carrying out corresponding consultations for making Yalta the organization's official headquarters;
- strengthening political and economic cooperation with Euro-Atlantic partners, primarily with the United States, and proposing an acceptable model for coordinating the plans of the U.S., EU, NATO, OSCE, U.N., and other parties with constructive attitudes toward GUUAM;
- analyzing the possibility of appointing a special European commissioner on cooperation with GUUAM or asking the European Union to send a special representative to the Council of Foreign Ministers for strengthening ties with the EU. The U.S., OSCE, and the SCO (as a whole or only China) should also be asked to do this. In light of the "surprise agreement" with the Russian Federation on "reverse use" of the Odessa-Brody oil pipeline, Ukraine must reassure those parties, primarily Poland (with whom Kiev has come to terms on political and business partnership with respect to implementing this energy project as it was originally planned) of the inviolability of the agreements reached;
- holding corresponding consultations with Poland, Germany, and Kazakhstan on institutionalizing relations with GUUAM (with respect to giving them the status of observers in this organization);

- exerting efforts, along with the Euro-Atlantic community, to resolve the problems of stability and security within GUUAM. This primarily refers to settling ethnic, confessional, and interstate conflicts in the Caucasus and Central Asia. In this respect, a separate pact should be introduced (as in other similar situations). GUUAM must urgently draw up a plan of measures (in the form of recommendations) for stabilizing assistance to Georgia;
- expanding and strengthening military-political and military-technical relations in cooperation with NATO, and raising them to a strategic level by creating a reliable system of regional security for ensuring stability in the region; drawing up a general strategy for the GUUAM member states to facilitate their membership in NATO and the EU (or cooperation with them);
- creating a Committee on GUUAM's Security Policy within the Council of Foreign Ministers, by making it responsible for expert and procedural (consultative and advisory) support in resolving this problem;
- actively joining the political efforts of the parties concerned to ensure reliable formation of an oil and gas market infrastructure and implementing transportation and energy projects which constitute the backbone of regional integration;
- entrusting the organization's business council with drawing up and introducing a long-term program for ensuring trans-regional ties among the representatives of business, government, and academic circles (with orientation toward applied research). This will help to attract the investments needed for developing cooperation. Instituting a permanent exhibition of commodities, technology, investment projects, and joint venture projects of the GUUAM member states under the Business Council, as well as a specialized information system for businessmen of the organization's countries to find partners and draw up business plans and corresponding proposals;
- making the events of ideological, economic, political, scientific, and cultural life some of the priority areas in the activity of GUUAM's Interstate Information Analytical System (IIAS);
- holding regular (annual) scientific practical conferences in Yalta for analyzing the problems of the organization's political and economic development;
- accelerating the formation of GUUAM's Parliamentary Assembly with subsequent development and intensive implementation of a specialized action program;
- analyzing the expediency of seeing GUUAM as a priority component in Kiev's European choice strategy with corresponding amendments to our state's foreign policy in the context of the geostrategic situation;
- in the context of Ukraine's participation in the SES, declaring the need to follow the European model of institutional development of interstate organizations when forming the SES and, on this basis, indicating the need to execute preceding agreements on the creation of a corresponding free trade zone;
- due to the risk of possible geostrategic and geoeconomic losses from forming a "meridian arc" of Baltic-Black Sea Cooperation, which could extend further west than Ukraine, on the one hand, and a "latitudinal arc" of Eurasian communication lines (an alternative Russia-Kazakhstan route), on the other, Ukraine must initiate in GUUAM (with the participation of its Baltic and Black Sea partners) a set of measures for preventing this development in events and, in particular, look at the idea of developing cooperation between BBC and GUUAM;
- making use of their good interrelations (even their gravitation toward each other), Ukraine should try to intensify political, and then economic interaction between BSEC and GUUAM, which will have a positive impact on reviving cooperation and on the development of the Black Sea-Caucasian-Caspian region, and will be favorably perceived by the EU.

* * *

So GUUAM's further progress (with Ukraine assuming a leading role in this structure) requires urgent and comprehensive consultations with the U.S. and the EU, as well as a more intensive political dialogue with the organization's other member states, in order to search for ways to coordinate their interests and distribute obligations. If this task is put off, Kiev faces the undesirable prospect of losing its political authority in the region.

CONSOLIDATION OF THE TURKIC WORLD IN THE IDEOLOGY AND POLITICAL PRACTICE OF OFFICIAL ANKARA (*Retrospective Stage-by-Stage Analysis*)

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Since the end of the 1980s, Turkey has been keeping a sharp eye on the changes that occurred in the Soviet Union and then on the events that have been going on since its disintegration in the post-Soviet expanse. Ankara's attention has been primarily directed toward the Turkic-speaking nations closest to it linguistically and culturally, in particular the independent Central Asian countries and Azerbaijan. As early as September 1991 (with Moscow's permission), the Turkish leaders made an official trip to the still Union republics of Central Asia to get a feel for their intentions and possibly find closer rapport and more enhanced relations with them.¹ And on 16 December of the same year, Turkey was the first country in the world to officially recognize the state independence of Kazakhstan, Kirghizia, Turkmenistan, and Uzbekistan.

Developing relations with the Central Asian republics and the Caucasus raised Ankara's authority and graphically demonstrated the importance and need for the Turkish presence in this region, as well as its growing role as an alternative power on the international arena. It should be noted that the West, particularly the U.S., encouraged Turkey's intentions to develop relations with the new post-Soviet states, primarily with the Central Asian and South Caucasian countries. The Western capitals believed that this cooperation would stem any rise in Iranian, Afghan, and Chinese influence in this region. The West was also keen to see the new states lessen their dependence on Russia. On the other hand, when encouraging Ankara to establish closer cooperation with this part of the world, Western circles kept in mind that, in striving to reinforce their independent status and accelerate their entry onto the international arena, these young states would also lean toward Turkey, a country with which they

¹ See: Z. Chotoev, "The Turkish Factor in the Evolution of the Central Asian Republics," *Central Asia and the Caucasus*, No. 2 (20), 2003, p. 73.

feel a certain amount of affinity in terms of language, culture, and religion. What is more, Turkey upholds a pro-Western policy and supports secular development, in which respect it has accumulated much positive experience.

Meanwhile, the West has taken several practical steps to ensure that the Central Asian states and Azerbaijan also move in this direction. For example, in December 1991-February 1992, U.S. Secretary of State James Baker visited the Central Asian republics and strongly encouraged their leaders to “adopt the Turkish model of secularism, liberal democracy, and a market economy.”² And Turkey has been assisting them in their efforts to become members of such international organizations as the U.N. and the OSCE, to integrate into the global economy, and to join NATO’s Partnership for Peace program.

So it can be said that relations between Turkey and the Turkic post-Soviet states entered an active stage of development as early as 1991. At that time, these relations encompassed the economy, commerce, culture, and education. What is more, there were attempts to establish ties in the military sphere and security, as well as bring the overall policies of these countries closer together. After diplomatic relations were established between Turkey and the region’s republics and their embassies and consulates opened in 1992, summits of their heads of state were held almost every year.

In order to coordinate assistance to these countries and step up relations with them, a Turkish Cooperation and Development Agency (TIKA) was created in January 1992 under the Turkish Foreign Ministry. A particularly positive aspect of these relations should be noted: they were aimed at preventing a spread in Islamic fundamentalism. As Bülent Aras, head of the international relations department at Istanbul University, emphasized, “Turkey’s willingness to accept this role—promoting a secular-democratic model in this area—was a matter of ‘cultural correctness’ as well as political strategy.”³ And this fully coincides with Ankara’s official ideological policy, since its ruling elite is placing the emphasis on Westernization of the country and justifiably believes (also in light of the recent political events) that Islamic radicalism is a serious threat to domestic political stability. Precisely because Muslimism always had (and still has) a huge influence in Turkey, its leadership supports the Turkish version of Islamism, or “demo-Islamism,” which unites the advantages of a secular democratic state with a traditional ideology based on moderate Islam. This unification is an alternative to Islamic fundamentalism, so it is favorably perceived by the Western democracies, since it creates the necessary conditions for preserving and extending their foothold in the Islamic world.⁴

Turkey also plays a very prominent role in the Black Sea and Caspian Region, it can even be maintained that it is one of the leading countries in this geopolitical space. As for Ankara’s influence on the South Caucasian and Central Asian republics, it is trying to compete with Russia and to a certain extent with Iran. Its ethnic kinship with the Turkic-speaking peoples of this region: Azeris, Kazakhs, Karakal-paks, Kyrgyz, Turkmen, Uzbeks, Uighurs, Gagauz, Volga and Crimean Tartars, and Bashkirs, as well as its confessional and cultural-historical propinquity with them, gives it extremely strong trump cards. The fact that Turkey has the image of an economically developed Turkic-Muslim secular state with strong military and political traits is also very important. What is more, it is a strategic partner of the U.S. and a member of NATO, thanks to which it can lobby the interests of the Turkic countries in the West. Nevertheless, the upsurge in clerical sentiments in Turkey itself, as well as the severe economic and political crisis could significantly undermine the above-mentioned advantages.

All the same, Ankara is striving to upgrade its role in the region, particularly on the crest of pan-Turkism. According to American political scientist Samuel Huntington, the collapse of the Soviet Union opened up a unique opportunity for Turkey to play a leading role in reviving the Turkic civilization, which encompasses seven countries, from the shores of Greece to China. Incidentally, the idea of pan-Turkism was brought to Turkey from outside. An ideological source and catalyst of Turkish nationalism were the nationalistic ideas popular in Europe during the second half of the 19th century. Native Tartars of the

² Quoted from: E. Urazova, “Trends in Turkey’s Economic Cooperation with Post-Soviet Turkic States,” *Central Asia and the Caucasus*, No. 5 (11), 2001, p. 115.

³ B. Aras, “Turkish Foreign Policy toward the Transcaucasus,” *Central Asia and the Caucasus*, No. 5 (11), 2001, p. 79.

⁴ See: *Turetskaia Respublika. A Guide*, Moscow, 2000, p. 104.

Russian empire, Akhmed Agaev, Iusuf Akchura, Ali-Husein-zade, Ismail Gasprinsky, Zaki Validi, and others, can be considered the ideological founders of pan-Turkism.

Thanks to the activity of these cultural political scientists, pan-Turkism was comprehensively developed. In a book by one of its founders, Zia Gök-Alp, called "The Foundations of Turkism" (1923), three stages are singled out in reaching this goal: Turanism in Turkey itself—assimilating or (if it is rejected) eliminating all non-Turkish elements, purifying the Turkish language of borrowed Arabic words, and creating a Turkish national culture; oguzianism—uniting countries populated by the descendants of Oguz (Turkey and the two Azerbaijanians—Persian and Russian); and a federation of other Turkic-speaking peoples. The conception of pan-Turkism coined by Zia Gök-Alp was based on a juxtaposition of two concepts—culture and civilization. In his opinion, Western civilization is what makes the Western world strong and so should be accepted by the Turks, who are striving to create a powerful Turkish state. Culture, on the other hand, should remain Turkish and be kept pure. The foundation of Turkish power is the Turkish culture, and civilization is merely the outer sheath required to protect it from external aggressors.

The opinion is frequently expressed that pan-Turkism and Kemalism would have met the same fate as Ottomanism, had the Kemalistic program not been put into practice at a time when it was advantageous for large states to support the military and political might of the Turkish state. That is, had the laicist (secular) republic not had such a strong army and had not been a symbol of revival of the state's former might in the eyes of its own people. The army was not merely the custodian of the ideology of Kemalism, but often of Kemalism, which is perceived as pan-Turkism. The official Turkish leaders categorically deny all accusations of being preachers of the ideas of pan-Turkism. Indeed, there is nothing unusual in the desire to expand ties with ethnically kindred peoples, who, in turn, are striving for the same cooperation. But statements by some high-ranking Turkish politicians to the effect that Turkey should rebuild its might along the borders of the former Ottoman Empire are providing certain food for thought.

In Turkey today the idea of Turkism has more of an economic foundation. Official Ankara has been fervently supporting the independent post-Soviet states and offering them trade benefits and loans. Based on its real possibilities, Turkey is trying to help the Central Asian countries overcome their serious economic problems, and support them in their transition to democracy and a market economy. During the years of their independence, Turkey has signed more than 350 contracts and agreements with these republics. In 1999 alone, Ankara gave these republics approximately 1.5 billion dollars in loans. Almost 2,500 Turkish companies have been involved in implementing investment projects in the Central Asian countries. Before 2000, they invested 8.4 billion dollars in the region; in particular, Turkish construction companies carried out four-billion-dollar worth of work, and the trade volume between Turkey and these countries increased from 145 million dollars in 1992 to 5.6 billion in 1999.⁵

As for the South Caucasian countries, Ankara's trade relations with them have still not reached the desirable level. For example, according to the export indices for the first four months of 2001, Azerbaijan occupied 21st place (0.7% of its total volume), and Georgia, 34th (0.4%).⁶ On the whole, Turkey's economic penetration into Central Asia and the Southern Caucasus is going on at two levels: mediation by state agencies (mainly TIKA), which offer technical and financial support, and investments by Turkish businessmen. TIKA assumed the obligation to promote the development of agriculture, education, small and medium business, power engineering, tourism, civil aviation, and insurance.⁷ All of this agency's projects and programs are aimed only at assisting these states to meet their needs.

Apart from these structures, Turkey's nongovernmental religious and nationalistic organizations are also taking active part in helping the country to find niches in the new states of Central Asia and the Southern

⁵ See: H. Bayulken, "Turkey's Geopolitical Interests in the Black Sea Region and Central Asia," in: *Documents from the International Conference "Ukraine-Turkey: Security and Cooperation in the Black Sea Region,"* Kiev, 10-11 April, 2000, Kiev, 2000, pp. 31-32 (in Ukrainian).

⁶ See: B. Aras, op. cit., p. 81.

⁷ See: H. Bayulken, op. cit., p. 30.

Caucasus. For example, in the area between Tanzania and China, the followers of Fethulah Gülen built more than 200 schools, mainly in Turkic republics. Not so much Islam as Turkish nationalism is preached in these learning institutions, since “from the Balkans to China, he [Gülen] wants to see elites formed with Turkey as their model.”⁸ All of these organizations are placing the accent on pro-Turkish elements, and not on propagandizing the idea of Islam, fearing that the latter will be very much to Turkey’s detriment and will play into the hands of Iran and Saudi Arabia. Although the meetings and activities organized by nationalist groups, such as the Assembly of Turkish States and Communities, have not received official endorsement, prominent Turkish politicians, including Turgut Özal, Süleyman Demirel, and Tansu Çiller, have attended and addressed these meetings.⁹

In the spirit of Turkism, the written language of the Central Asian republics and some South Caucasian countries is being switched to the Latin alphabet, and cultural ties and contacts between the political elites are strengthening. Ankara has created (and is generally financing) quite a strong study and practicum program for students from these republics, within the framework of which approximately 7,000 people are currently studying in Turkey.¹⁰

An important factor of Turkish influence was the regular meetings of the leaders of the Turkic-speaking states held in 1992 in Ankara, in 1994 in Istanbul, in 1995 in Bishkek, in 1996 in Tashkent, and in 2001 in Istanbul. At these meetings, the question of closer cooperation within the borders of the Turkic alliance was discussed. And the Tashkent declaration talks about further cooperation in culture and information, as well as in the development of the Great Silk Road, and in the improvement of bilateral relations.¹¹

But, after gaining their independence and wishing to establish relations with many of the world’s nations, these states do not want to place the emphasis too heavily on only one of them. As early as the first summit in 1992, it became clear that the leaders of these new countries were willing to sign the Ankara declaration and other documents adopted at it only on a bilateral basis, but gently rejected Turkey’s proposals to enter multilateral agreements. The declaration itself envisaged cooperation in culture, education, language, security, the economy, and the law. Nevertheless, during the meetings in Ankara, Kazakhstan President Nursultan Nazarbaev emphasized his unwillingness to develop relations on ethnic or religious grounds, talking in favor of civilized relations based on mutual respect and state independence.¹²

What is more, Turkey could not offer the region’s countries the full amount of financial assistance it promised, in which they were naturally unable to hide their disappointment. And after the Recep Tayyip Erdogan government came to power, Ankara was forced to reconsider its spontaneously developing relations with the Turkic countries and transfer them to a more pragmatic basis. We will note that at the beginning of the 1990s, it was Turkish companies (the first among foreign ones) which took the risk, without sufficient guarantees, and invested their capital in these republics, which promoted the development of small and medium businesses. And with the assistance of such European structures as the Organization for Economic Cooperation and Development (OECD), Ankara initiated a multitude of projects in the economy, including those which called for training and raising the qualifications of businessmen. In so doing, it helped to develop market relations in the region and create a corresponding legal base, which boosted the development of private business and encouraged the appearance of foreign investors and an inflow of their capital into these countries.¹³

Turkey is showing particular interest in transporting energy resources from the region’s countries to the world markets. In so doing, it is striving to ensure that Kazakhstani and Azerbaijani oil, as well as

⁸ B. Aras, op. cit., p. 82.

⁹ Ibidem.

¹⁰ See: H. Bayulken, op. cit., p. 31.

¹¹ See: B.A. Parakhonskiy, “Ukraine and Turkey,” in: *Ukraine of 2000 and After: Geopolitical Priorities and Development Scenarios*, National Institute of Strategic Research, Kiev, 1999, p. 120 (in Ukrainian).

¹² See: Z. Chotoev, op. cit., p. 74.

¹³ See: E. Urazova, op. cit., pp. 118-119.

Turkmen gas, pass through its territory. Washington is actively supporting Ankara in this endeavor, since it does not want hydrocarbons to be exported through Russia and Iran. In particular, it is lobbying for building the Baku-Ceyhan oil pipeline. At the OSCE summit in Istanbul (November 1999) attended by U.S. President Bill Clinton, the Turkish government signed an agreement on building this pipeline with the leaders of Azerbaijan, Georgia, Uzbekistan, and Kazakhstan.¹⁴

When justifying its economic policy in the region, Ankara places primary emphasis on the fact that it will give the Central Asian and South Caucasian states a chance to diversify the transportation of their energy resources and lessen their dependence on Russia. Second, Turkey itself needs energy resources (oil and gas) and, if they are pumped through its territory, it will become their consumer. Third, it is paying keen attention to the problems relating to the carrying capacity of the Bosphorus and Dardanelles straits and their pollution. All the same, it is not publicizing the fact that its assistance in building pipelines from Central Asian countries through the Caucasus to Turkey will promote the possible future economic unification of the Turkic states. Ankara is also particularly interested in routes for transporting Kazakhstani oil, without which the Baku-Ceyhan pipeline will not be economically profitable. What is more, it has a share in Kazakhstan's oil companies and is interested in its oil being exported to Turkey. As for Turkmen gas, the agreement signed on pumping it through Turkey, which is not underpinned by corresponding financial support, is up in the air.

Today, real prerequisites for developing relations between the Central Asian and Caucasian countries and Turkey are primarily found in security, as well as in power engineering, transportation, environmental protection, and so on, and even in the creation of a sub-regional economic union. The problem here is that if the construction of new pipelines is continuously postponed due to threats, disputes, and muscle flexing, the rest of the world, particularly large oil- and gas-producing companies, could lose interest in this region.

As a rule, the foreign trade of the countries belonging to regional unions is divided into two separate sectors: reciprocal trade among the member states of a particular organization free from customs and other barriers; and trade between these states and other countries using a variety of barriers. In this respect, the access of large volumes of Azerbaijani and Kazakhstani oil and Turkmen and Uzbek gas to the world market is minimizing the opportunities (financial and political) of OPEC and Russia for providing the West with cheap energy resources for any extended length of time. It is to the advantage of Tashkent, Ashghabad, Baku, and Tbilisi that events develop along this scenario. This can partially be explained by the appearance of American bases and strong points at the very sites where there are plans to lay strategic export oil and gas pipelines. The U.S.'s influence in Turkey, Washington and Ankara's rapprochement with Baku, and now the presence of the United States in Central Asia and the Caspian¹⁵ show that the U.S. is trying to uphold its right to determine where oil is transported, but at the same time draw the Turkic-speaking world into a single whole.

Despite the fact that the moderate Islamic Justice and Development Party has come to power in Turkey, Ankara is still focusing its main attention on relations with the West, which is explained by its desire to join the EU, as well as by its intention to strengthen ties with Washington, even after the war on Iraq. Nevertheless, its priorities include balanced contacts with Russia and trans-Black Sea partnership relations with Ukraine and the Central Asian and Caucasian republics, but in no way building Turan and establishing its domination in it. Thus, since the second half of the 1990s, some Turkish researchers have sought to make a distinction between two different terms: *türki* (Turkic), as opposed to the more common *türk* (Turkish), which is often used interchangeably.¹⁶ Calm and deliberate steps in this direction will continue, although plans to create an economic and cultural Turkic community cannot be excluded.

In this way, some stages characteristic of the various trends and priorities in Turkey's relations with the Turkic states of Central Asia and the Southern Caucasus can be singled out: the spontaneous and tem-

¹⁴ See: Z. Chotoev, op. cit., p. 77.

¹⁵ See: E. Shultz, "So Are We Going to Agree or What?" *Central Asian News* [www.centran.ru], 18 February, 2004.

¹⁶ See: Z. Chotoev, op. cit., p. 80.

pestuous emotional blossoming of their economic and cultural relations; a more pragmatic approach to this process; and a certain waning of interest among the Turkish ruling circles in the Central Asian states during Necmettin Erbakan's government.

Summing up the above, it can be noted that the Turkish model of a secular state with its predominant Muslim population has disappointed the Central Asian and Southern Caucasian states to a certain extent, since it does not entirely coincide with the mentality and cultural and life experience of the people of these regions. But we should not underestimate the positive aspects of cooperation in economic relations, trade, culture, and education, or undervalue the influence of these relations on the development of these states as a whole.

KYRGYZSTAN: MENTALITY AND MODERNIZATION

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There is no need to hold forth about the faults of the republic's political system—everybody knows that the political, economic and spiritual culture is weak. At the same time, however, one can detect symptoms of political and economic stabilization.¹

Here I shall touch upon a more subtle issue that is much harder to grasp: a crisis of Kyrgyz mentality. Is there a crisis? A positive answer invites two other questions: Are there symptoms of the end of the crisis? In which way can the crisis be overcome? In his time, Pitirim Sorokin convincingly described a social crisis as a loss of the vector of mental life by a social-cultural "super-system." This leads to axiological disintegration and "moral polarization" of public mentality. One can say that in the context of such crisis many personal minds lose their ability, completely or partially, to complete self-realization and adequate self-identity, thus causing a deficit of social subjectivity. At the same time, according to Pitirim Sorokin, deep-cutting mental crises are an inalienable part of the worldwide historical process; in many cases they bring in a new more socially and culturally productive life style. This obviously adds urgency to correct sociological diagnoses and interpretations of the crisis phenomena of our mental life.

Mentality is an extremely important component of any socium: as a sociocultural subject man belongs not so much to the objective world as to the inter-subjective picture of the world painted by mentality. We can a priori presuppose the existence of at least two vectors of Kyrgyz mentality: quietism (rest as an ultimate value: nothing should be sought for, nothing should be rejected) and utopia (of communist, liberal or any other kind). However, disintegration of Kyrgyz society and its mental differentiation are much more complex phenomena and more varied.

Throughout the last few years, society has been living amid continuous economic, political, and social reforms caused by a systemic transfer from one socioeconomic structure to another. These fundamental social changes, an interaction among all trends and directions of development cause qualitative ideological shifts; they change personal and ethnic relationships and the nation's axiological landmarks. As a

¹ See: "O sotsial'no-ekonomicheskom polozenii KR," *Slovo Kyrgyzstana*, 31 January, 2002, pp. 7-8.

result, civil society will come into being. The world looks at Kyrgyzstan as a democratic, secular, socially oriented state ruled by law, yet life of common people has not improved. The country's huge external debt (by late 2002 it was \$1,732.3m, according to the National Bank),² unemployment (over 500,000, according to expert assessment),³ and poverty of the wide popular masses (an average monthly wage, slightly above \$30, is one of the CIS lowest)⁴ do not allow the state to raise the living standards. Economy will deteriorate in the near future, thus making more people poorer. Old-age pensioners (70 percent of them, according to official figures live below the poverty level) and those who depend on the state for survival will suffer most.

This raises two inevitable questions: "Who is to Blame?" and "What Can Be Done?" It seems that the neo-Bolshevist methods employed in our country to plant the market and democracy and to uncritically copy Western experience are to blame along with the maniacal desire to leave behind the so-called shameful past, isolation, and poverty. In other words, the following factors are responsible for the current difficulties of social transformations in Kyrgyzstan.

First, the country failed to formulate a clear national conception of modernization; it armed itself with the so-called catching-up development model and fell prey to the conception of Eurocentrism that ignored the nation's sociocultural traditions. Kyrgyzstan tried to reproduce the "consumer society" way of life and a quasi-Western model of management and market economy. This ruined economy, lowered the living standards, and increased the number of poor people. The country's leaders seem to have forgotten that market economy was nothing more than a condition of social progress and that society's readiness to accept radical changes and suffer sacrifices for their sake was the key to success.⁵

Second, it was not taken into account that the economic system of Kyrgyzstan had certain specific features: a low technological level and the absence of high-quality competitive consumer goods in high demand. Kyrgyz society is also marked by lack of leadership as a political category (personal activeness and independence) and prevalence of the traditions of communality. They do not allow the state to develop innovation projects. Such societies in general cannot accept fast changes and should be offered more substantiated transformation projects.

Third, and most important, the specifics of mentality of the Kyrgyz as the state-forming nation were totally ignored. Each nation has a historically conditioned public conscience and a system of values. Being no exception, the Kyrgyz undoubtedly have their own mentality, their scale of values, and their own specific culture. This should be taken into account so as not to endanger the future of the country and the market reforms. Mentality is always specific and is always conditioned by such factors as affiliation with a social group, civilization, and epoch, which, in turn, within wider mentalities are coexisting in the interconnected mentalities of groups and classes. Both are open to metamorphoses, their speed in various mentalities being different yet, on the whole, not great.

In the absence of a clear idea of the structure of mentality of the nation as a whole and of individual groups, in particular, modernization and market reforms are doomed. The specifics of mentality betray themselves in individual psychological makeup and behavior as constants of sort. They relate individuals to certain ethnoses, sociums and time. All radical changes demand that people's mentality and its axiological structure should be taken into account: deep-cutting reforms always change the basics of people's life intimately connected with the individual values, norms, convictions, and stereotypes.

Fernand Braudel's conception of three types of historical time can be fruitfully applied to an analysis of social processes in Kyrgyzstan. He distinguished between long duration, medium duration, and short duration. Politics is associated with the third type; economics, with the second, and mentality, with

² See: M. Osmonaliev, T. Koichumanov, "Restructuring Kyrgyzstan's External Debt," *Central Asia and the Caucasus*, No. 1 (25), 2004, p. 153.

³ See: A. Elebaeva, *Mezhetnicheskie otmoshenia v postsovetskikh gosudarstvakh Tsentral'noy Azii: dinamika razvitiya*, Bishkek, 2001, p. 76.

⁴ See: A. Kurtov, "State Power in the Central Asian Countries: Quo Vadis?" *Central Asia and the Caucasus*, No. 1 (25), 2004, p. 20.

⁵ See: A. Dononbaev, A. Naskeeva, "Political Culture and Modernization in the Central Asian States," *Central Asia and the Caucasus*, No. 1 (25), 2004, p. 9.

the first type as the most conservative and less dynamic structure of all.⁶ Mentality, as an intellectual phenomenon, belongs to the history of long duration and vast expanse.

Obviously, the process of changing the values central to national mentality is a long and painful process: it is very hard to adjust one's psychology to the changing picture of the world and a new social environment. It should be said that the "unconscious" in the form of mythologems and ideologems is very tenacious. Willpower of the country's leaders cannot transform it, neither can the nation's readiness to accept the changed values. No wonder, the market reforms in Kyrgyzstan changed nothing but the external forms of social behavior and did nothing to change the axiological system.

To borrow an expression from Kyrgyz researcher Z. Kurmanov, Kyrgyz mentality looks like "puff paste."⁷ The Communists destroyed the bay-manap relationships of the pre-Soviet period and the commonly shared ideas and opinions; however, they adapted certain features of Kyrgyz mentality to new ideological clichés. Clan solidarity that consolidated Kyrgyz society for centuries and an urge toward egalitarianism were used to plant such ideas as collectivism and equality in people's minds.

The above suggests a question about a correlation between modernization and national mentality. Haste should be better avoided. Artificial acceleration may cause a series of unpredictable results because the customs and norms—the sociocultural core of mentality—have lost much of its former influence, while its axiological and meaningful core is nearly ruined. This was what Pitirim Sorokin wrote about: "Reforms should not trample upon human nature and go against its basic instincts."⁸

Having analyzed two possible responses of traditional mentality and life style to sudden social changes French scholar Lucien Febvre concluded that human consciousness either reproduced deviational behavior or panicked and became inadequate.⁹ There is a third possibility: an apathetic attitude to social processes and drifting with the current. This is what happening in Kyrgyzstan, among the men-in-the-street. This approach makes it possible to analyze the changes in the mentality of the autochthonous ethnos and their trends in the context of modernization.

The changes of the last decade demonstrated beyond doubt that the man-in-the-street preferred to remain a passive onlooker and an eyewitness of social transformations initiated by a narrow circle of the political and business elite. Common people refuse to be involved in sociopolitical activity—they are inert. Being absolutely vulnerable and completely dependent on the central and local authorities they try to protect themselves and survive amid the worsening conditions of everyday life. Survival is their only aim even though people are acutely aware of their vulnerability and impotence. This is what guides people in everything they do. We are witnessing a phenomenon of massive and deliberate wish to cut down requirements; to be more exact, this is a phenomenon of self-identification with the modes of social behavior that make civil conscience impossible. The "silent and discontented" majority is made up of those who are radically minded (jobless and casual laborers), that is, of all those who look at themselves as social outcasts. They make no attempt at breaking out of the vicious circle of passivity and remain devoted to the principle of choosing the lesser evil. Their living standards can hardly suggest new behavior models; instead they teach the man-in-the-street to be prepared for the worst. Hence, his obvious pessimism that can be even called a "phobia for the worst."

This phenomenon explains the paradox that baffled Western analysts and that was further explained by the poll called "Kyrgyzstan-2000: Voters' Opinions," carried out by the Center for the Public Opinion Studies and Forecasts.¹⁰ According to the returns, about half of the country's population (and 49 percent of urban dwellers) have no confidence in the future. Caught in the lengthy economic crisis and degradation post-Soviet Kyrgyzstan became one of the poorest countries in the world with no middle class (the social basis of civil society) to speak of. According to Western experts, the standard of living index described by many as unacceptable dropped to the critical level, below which mass protests become inevitable. This has not yet happened in Kyrgyzstan—instead the man-in-the-street developed a philosophi-

⁶ See: F. Braudel, "Histoire et sciences sociales: La longue durée," *Ecrits sur l'Histoire*, 1969, pp. 50-51, 54.

⁷ See: Z. Kurmanov, *Politicheskaia bor'ba v Kyrgyzstane: 20-e gody*, Bishkek, 1997, p. 7.

⁸ P. Sorokin, *Chelovek, tsivilizatsia, obshchestvo*, Moscow, 1992, p. 271.

⁹ See: L. Febvre, *The Problem of Unbelief in the Sixteenth Century: The Religion of Rabelais*, Cambridge, 1982, p. 455.

¹⁰ See: "Sprosi u naroda," *RIF*, 2 June, 2000.

cal attitude to life. The common people who form the core of the non-civil society and who learned to adjust themselves to the sociopolitical daily circumstances do not welcome new values and continue living their own lives they alone can understand. They refuse to trust anybody and have no faith in the powers that be.

The years of reforms taught the local people to distrust power and made them individualists. They are no longer prepared to suffer for the sake of the benefit of all. The elite that has busied itself with privatizing profits and nationalizing losses sets the example. In these conditions the market is nothing more than a fight for property obtained through cheating in the first place. Society is developing into a social mass with no willpower to respond to reforms. This is a society of downtrodden people concerned with their own survival being afraid to look into the future they are deprived of. We are witnessing a phenomenon of so-called “black consciousness,” by which I mean a radically negative self-assessment: the majority in the republic is not yet ready to embrace the new liberal values because it cannot detect in them any ideas worthy of it as a nation. As a result, people while losing self-actualization and self-respect turn to the past glory and grandeur in search of ennobling images. Such people refuse to look into the future—they are concentrated on the past. In fact, the large stratum of frustrated people forms the social basis and electorate of the revivalist movements.¹¹

This explains why many of the post-Soviet states (the Central Asian republics in the first place) are living through an upsurge of “myth creation.”¹² The republican leaders are also trying to revive the national spirit; from the very first days of independence the republic has been holding grandiose festivals and jubilees: the 1000th anniversary of the Kyrgyz epos “Manas,” congresses of ethnic Kyrgyz; the 2500th anniversary (!) of the Kyrgyz statehood (in 2003), etc. This is done in an effort to revive historic memory and to perpetuate the images of the best sons and daughters of the Kyrgyz. A new national idea and the nation’s moral code based on the Seven Commandments of Manas (directly borrowed from the epos) was the peak of these efforts.

Some of the slogans offered by the leading circles as the national idea failed to reach their aim because, borrowed from other states, they had no roots in national mentality. This happened to the slogan “Kyrgyzstan is Our Common Home” copied from Russia that described the Motherland as a communal flat (“our common home”). In Russia the slogan is intended to bring together the numerous ethnic groups into a single state, while in Kyrgyzstan, a unitary state, it was devoid of any meaning. Any efforts to unprofessionally exploit our cultural heritage for populist aims will not help us: used as commercial adverts they will kill the state. Neither the epos nor the name of Manas will shore us up because “no one can sleep today on the achievements of yesterday.”

The “black consciousness” phenomenon revived tribalism in public life; everybody knows that politics today is determined, to a great extent, by clan and family relations.¹³ There was a lot of talk in Soviet times about final and irrevocable uprooting of clan and tribal survivals in public life that turned out to be nothing more than wishful thinking: clan and tribal rivalry is alive at all levels. In the conditions of privatization and development of national statehood the problem of tribalism as one of the types of disintegration of Kyrgyz ethnos came to the fore. Today, all state structures are functioning within the framework of client-patron relationships and are constantly shaken by power struggle among tribes.

Tribalism is a negative phenomenon, yet it can play a positive role as well. We know from history that only those of the nomadic cattle breeders (the Kyrgyz among them) preserved their ethnic identity and integrity who consistently followed the principles of tribalism in the absence of their own state.¹⁴ The present revival of tribalism was provoked not only by the tenacity of many of its principles but also by the

¹¹ See: G. Bloomer, “Kollektivnoe povedenie,” *Amerikanskaia sotsiologicheskaia mysl*, Moscow, 1994, pp. 213-214.

¹² For more detail, see: Zh. Abylkhozhin, “Kazakhstan: Ruralization of Cities and Escalation of the Conflict between ‘Modernist’ and ‘Traditionalist’ Identity,” *Central Asia and the Caucasus*, No. 6 (24), 2003, p. 175.

¹³ See: D. Dzhunushaliev, V. Ploskikh, “Tribalism and Nation Building in Kyrgyzstan,” *Central Asia and the Caucasus*, No. 3, 2000, pp. 116-117.

¹⁴ See: “Neytralizatsia negativnykh izderzhkek tribalizma,” *Natsional’nyi otchet Kyrgyzskoy Respubliki po chelovecheskomu razvitiu za 1997 god*, Bishkek, 1997, p. 42.

fact that struggle for survival has come to the fore in individual lives. Finally—this is most important—it acquired a chance to take part in the development of statehood.

The above does not mean that the Kyrgyz society has abandoned the road of modernization and democratization. One should not take local specifics (parties, etc.) at their face value and ignore the fact that, to a great extent, they screen traditional relationships. Extremes should be better avoided: the social and political institutions described above are not purely traditional. There is a blend of traditional and modern elements in them.

These are obvious reasons, yet there is another very important factor: we are living in the ideological and cognitive vacuum. In the context of radical socioeconomic changes, amid the ruined social structures society badly needs to know the aims, methods and optimal possibilities of the current economic, social, political and cultural modernization; people need ideas that can rally them around these aims.

The problem remains very urgent: our society has no experience of democracy and normal market economy and no relevant traditions even though they were chosen as the only possible alternative to the failed socialist experiment. Meanwhile, the reformers have not posed themselves the task of elaborating the knowledge people need in new realities and of offering this knowledge to society. Privatization in the economic sphere realized through technocratic methods and a formally democratic political system were not explained to the nation—instead, people were offered abstract ideological structures and were urged to go into business and enrich themselves. The reformers have left out of sight such vitally important issues as the correlation between the market and social justice and between social and personal morals at the stage of transferring to the market, the socioeconomic rights of citizens, development of their democratic sociopolitical activity, and the role of the state in the period of transition.

This does not mean that the dynamics of mentality is a purely destructive process; that Kyrgyz society consists of “cool” aggressive “new” Kyrgyz and the despondent and embittered victims of market modernization who have lost faith in everything. This image of our society promoted by our media and the Western press has little in common with reality. The study mentioned above revealed that a fairly large population group had psychologically adjusted themselves to reality. Polls in the capital and in six regions that involved various age and social-professional groups showed that even those who were badly hit by the recent changes were inclined to treat the situation soberly and to distinguish between the changes’ positive and negative effects; they still hoped for the best: 42 percent of the polled replied that “they were partially confident in their future.”¹⁵

We can say in this connection that the nation is gradually accepting the democratic ideal based on world experience; yet accepted by society the ideal could become a moving force of social development and a motivation for social behavior only if supported by the knowledge of how to realize them. So far, a deficit of this knowledge is behind the ailing Kyrgyz mentality.

On the whole, an analysis of mass consciousness in Kyrgyzstan confirms that it is antinomial, vague and devoid of clearly structuralized and stable axiological and behavioral orientations. Mass consciousness may develop in both directions: an evolution toward civilized market economy and democracy is possible only if the ideals are materialized in social practice.

* * *

To sum up: the authorities should address the following tasks:

- Create a system of new cultural and moral values otherwise the expendable utilitarian values will destroy the positive image of Kyrgyz society. When building up this system and formulating the strategic aims of domestic and foreign policies the deep-rooted layers of nation’s men-

¹⁵ According to the “Kyrgyzstan—2000: Voters’ Opinion” carried out by the Center for Public Opinion Studies and Forecasting on a grant from PROON in the KR, *RIF*, 2 June, 2000.

tality, through which it identifies itself, should not be forgotten. In other words, power should master the language of geopolitics;

- If power wants to conquer the crisis, reform the country's economy and state structure in the best possible way, it should encourage the nation's political involvement. To achieve this power should seek the best possible contacts with the dominating structures of mentality and arrange relations with the masses within the real social context rather than imitating such relations.

I do not claim the honor of formulating the final diagnosis. The situation described above is a sign of the deep-cutting changes in the nation's mentality and of the changed vector of cultural development. It is quite natural that amid economic and, especially, political transformations everyday structures and the stereotypes of thinking lag behind. It is for a long time to come that we shall be offered pessimistic forecasts, live through local conflicts and feel that we are living amid chaos that offers no way out. This will go on until the nation acquires new ideas and a new social structure.

There is no doubt that we shall have to return to the European rational civilizational project (this process had started back at the turn of the 20th century; later the communist ideology supported the opposition of the mechanisms of traditional mentality). To avoid a repetition we should cushion the opposition as best as we can and make the transformation as painless and as gradual as possible. Kyrgyzstan should not simply borrow the Western ideological clichés and the "wishing machines." We should be aware of our national traditions, specific features of our mentality and our inclination toward existential, rather than social, values.

Today, social psychotherapy is the most urgent task of all power institutions, the reformers, sociologists, in short of all those responsible for ideology and development, mental matrixes and illusions. In other words, we should show people positive aims and fill concrete tasks with immediate idyllic sentiments. It is much easier to legitimize power in the form of confidence in a strong personality that demonstrates paternalism, support for the people and compassion rather than political experience or economic knowledge.

REGIONAL ECONOMIES

ASIAN MONEY:
A NEW QUALITY

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Rephrasing Mao Zedong, we could say that Eastern money is getting the better of Western money. This refers to a rather unusual situation that has evolved in the world economic and financial system in the new millennium. To evaluate the lineup of forces in the global economy as well as the role that the Central Asian republics and Russia could play in this economy, we need to make a brief digression into the economic development period that began after World War II.

In the 1950s, world GDP growth rates sharply increased, to 5.0 percent, including to 4.1 percent in developed states and 5.2 percent in developing countries.¹ In the West, the main factors in this process were the reconstruction of national economies and the introduction of essential innovative technology (nuclear energy, petrochemistry, jet aviation, television, etc.). In addition, the normalization of international trade and the evolution of capitalism itself, whose contradictions were losing their antagonistic character, also played a role here.

¹ In the 1901-1950 period, the world's GDP grew at an average rate of 2.2 percent.

Formation of the welfare state reduced inequality in income distribution, which for its part expanded the domestic market, facilitating mass consumption. At the same time, Western ruling circles reviewed their approaches toward the periphery. The relative depreciation of fixed capital in developed states and the anticipated expansion of the foreign market² had, by the early 1960s (as industrialization gained ground), created an economic base for the provision of development aid to peripheral (economically speaking) countries, including state credits, personnel training programs, etc.

In the 1950s-1960s, however, economic growth rates in developing countries were mainly based on internal factors. Achievement of political independence, elimination of discrimination, liquidation of extra-economic coercion, reduction in the claw-back of the net product, the lifting of restrictions on external competition, and other measures implemented at the time created favorable condi-

² The main impediment to development in the course of economic reconstruction was capital, while in the subsequent period it was the market.

tions for economic revival in these countries. The role of the nation-state modified. It eliminated the most archaic relations, put in place the essential elements of infrastructure and industry, and promoted domestic enterprise. In a number of small countries and territories, the state was highly instrumental in launching export orientation mechanisms.

Yet already in the 1960s, world GDP growth rates declined to 4.6 percent, plummeting to 2.6 percent in the 1990s. Furthermore, in the second half of the 1990s, this indicator shrank to almost 2 percent. Thus, over the past three decades all world economic processes have been unfolding against the backdrop of decreasing growth rates. In the developed world, this slow-down became chronic and especially pronounced in the wake of the 1970s

energy crisis. The situation in the developing world was characterized by unstable and uneven development, but on the whole, annual growth rates in the second half of the 20th century averaged 4.9 percent.³ It is noteworthy that whereas in the first half of the past century it was the developed countries that had the world's highest growth rates, in the second half the situation reversed in favor of developing countries. Asian countries (except Japan) even upped their growth rates—from 5.2 percent in the 1950 through 1973 period to 5.5 percent in the 1973 through 1999 period.⁴

³ In the developed world, GDP growth rates were 3.4 percent.

⁴ See: A. Madison, *The World Economy. A Millennial Perspective*, OECD, Paris, 2001, p. 126.

A Hypertrophied Financial Sphere

By simplifying the general picture somewhat, it could conveniently be said that as growth rates decline each capital turnover creates a relatively smaller market than a previous one. So capital accumulated during this turnover is not tapped to the full. In this event the owner of this capital has several options. For example, it can be taken to another, more successfully developing country. This, however, raises certain difficulties: foreign laws, discriminatory provisions, restrictions on the repatriation of profits, a shortage of qualified personnel, and so on. Next, this capital can be funneled into a sector producing a basically new product or providing a new service. In this event the results are unpredictable as enterprises that have just started the production of new goods (provision of new services) are oftentimes unprofitable. Finally, productive (industrial) capital can be transformed into money capital. Under certain conditions, it is easier to make a profit on loan capital than on productive capital. Such conditions emerged on the world market in the 1970s.

The swelling of the loan capital sector began during the aforementioned energy crisis. That period was marked by the disruption of the entire economic system, caused by a sharp aggravation of budgetary and balance of payment deficits as well as the apparent unprofitability of many of the traditional sectors of industry (the "smoke-stack" industry). To overcome those problems and to move some production capacities to developing countries it became necessary to increase the scale of operations with loan capital. But its flow was held back by the tight control on the part of the nation-state over capital markets, a holdover from the military past. The disintegration of the currency system based on gold parity, the appearance of "petrodollars," and the lifting of restrictions on the movement of capital in the developed world stimulated a rapid accumulation of loan capital as well as its massive outflow from national economies to the euro-dollar market, offshore zones, and so on.

In 1979, the U.S. Federal Reserve System sharply increased the interest rate. That decision had a great impact on the formation of the loan interest rate in relations between the developed and the developing world, as a result of which the interest rate grew to such an extent that the 1980s-1990s became a period of a widespread and, it would seem, artificial exacerbation of payments problems. Developing countries were especially hard hit. In this context, S.A. Byliniak points out: "The real interest rate (adjusted for price dynamics) over a long historical period averaged 2 percent. In the second half of the 1970s, the rate was substantially lower. Yet in the early 1980s, it grew sharply, reaching approximately 10 percent by the middle of the decade (the nominal rate, deflated for industrial import prices in developing

countries). In other words, the interest rate turned out to be five times as high as the average over a long historical period.”⁵

Not surprisingly, the sharp increase in credit costs was accompanied by the numerous payments crises. In Joseph E. Stiglitz’ estimate, there have been approximately 100 over the past quarter of the century.⁶ The most widespread, massive crisis, which at the time began in Latin America, fixed the loan interest rate at a fairly high level with all sides (factoring in the production sector) sustaining direct and indirect losses. Credit risks and the over-accumulation of capital in developed countries kept growing while its transformation into loan capital and “hot money” became quite substantial. Yet effective demand for capital with high interest rates was insufficient, while borrowers had to take rather a high risk. As a result, many developing states and some socialist countries ended up heavily in debt.⁷

There is extensive literature, including the aforementioned work by Joseph E. Stiglitz, on the origin of crises and measures to overcome them. Along with other researchers, this U.S. economist, in particular, points to the theoretical inconsistency and the practical harm of raising interest rates as the IMF’s standard response to developing countries’ payments problems. That policy led to higher internal and external borrowing costs, not to mention the colossal damage caused by speculative activity in the course of “stabilization” programs.⁸ At the end of the day, the problem was that over the last quarter of the century, credit costs rose amid a worsening quality of monetary resources in the form of the so-called hard currencies. Furthermore, following the collapse of the Bretton Woods system, currency exchange fluctuations increasingly affected the manufacturers, compared to major financiers, with the developing countries also ending up the worse off.

The connection between high loan interest rates and the monopolization of the financial services sector in developed countries is quite obvious. It is just as important that the rapid expansion in the array of such services, the number of financial intermediaries and the so-called capital markets (excessive monopolization does not allow them to be regarded as real markets, in the direct sense of the word) certainly did not mean an improvement in credit terms. Moreover, it was often small and medium sized credit organizations, providing services directly to individuals, that were hit the most in the developed world. The collapse of the savings and loan industry in the United States, in 1987, is indicative in this respect: Industry organizations mainly dealt with mortgages. Meanwhile, the transfer of the bloated “capital markets” to developing countries oftentimes had even more serious consequences. Say, in Kenya, where the banking system was liberalized under IMF pressure, in the 1993-1994 period alone, 14 banks went bankrupt, while the interest rate (contrary to IMF forecasts) rose dramatically.

Because financial “market” capacity expands as a result of the multilateral character of crediting, reorganization of credits and their prolongation, insurance and other factors, this market at first glance appears to be broader than the productive capital sector. On the flip side of this, however, is the isolation of the monetary sphere from the real economy, “bubbles” (including on the stock exchange), and eventually the “deterioration” of money—a kind of a latent depreciation of financial capital. Moreover, amid the growing economic and political risks, there is a discernible trend toward the replacement of shareholders’ equity with loan capital even in the production sphere.

⁵ S.A. Byliniak, “Mirovoy dolgovoy krizis: obshchie zakonomernosti i osobennosti proiavlennia na Vostoke,” in: *Strany ASEAN: na grani dolgovogo krizisa?* Nauka Publishers, Moscow, 1988, p. 37.

⁶ See: Joseph E. Stiglitz, *Globalization and its Discontents*, W.W. Norton & Company, New York, London, 2002, pp. 98-99.

⁷ In the 1980s, there was virtually no net capital inflow into developing countries: Everything was spent on debt servicing (see, e.g.: P.R. Krugman, *Pop-Internationalism*, The MIT Press, Cambridge, Massachusetts, London, 1999, p. 62).

⁸ “What makes speculation profitable is the money coming from governments, supported by the IMF ... but speculators as a whole make an amount equal to what the government loses. In a sense, it is the IMF that keeps the speculators in business,” Joseph E. Stiglitz points out, going on to say: “The billions of dollars which it [the IMF] provides are used to maintain exchange rates at unsustainable levels for a short period, during which the foreigners and the rich are able to get their money out of the country at more favorable terms... The billions too are often used to pay back foreign creditors, even when the debt was private. What had been private liabilities were in effect ... nationalized. In the Asian financial crisis, this was great for the American and European creditors (Joseph E. Stiglitz, op. cit., pp. 198-199, 209. Here and hereinafter quoted with permission from W.W. Norton & Company Publishers).

Subsequently, the financial sector continued to swell with resources of not quite legal provenance. The increased share in capital of criminal origin may have contributed to the expansion of this sphere (incomes from drug trafficking, gun running, prostitution, and so on). The laundering of such money needs time so it has to stay in the speculative sphere for quite a while. The share of loan capital and speculative money continues to grow. At present it is 4/5 of the aggregate operating capital.

Why then has there not been a major inflation explosion in the developed world? It seems that the reason for this is not so much currency policy control and the West's de facto monopoly over international credits as a massive flow of cheap, mass produced consumer goods import from developing countries. This flow ensured both a relative stability of consumption (in 1980, real wages in the United States were \$7.78 an hour and \$7.89 an hour in 2000⁹) and a massive expansion in the services sector in the West.

Regular financial rents substantially weakened incentives for scientific and technological progress. On the one hand, the process of technological advancement continued with even some developing countries involved in innovation activities. On the other hand, despite a general increase in the technological level, no basically new technologies have been discovered or new original products created. Yet another distinguishing feature of scientific and technological progress in the past two decades of the last century is the concentration of more than a half of all innovations in the services sector.

The extensive spread of globalization to more and more countries and territories was possible with relatively modern or somewhat upgraded technology. Meanwhile, the development and introduction of original, state of the art technology was held back by several causes. First, with the declining rates of development (and, with it, of demand) the need for creating breakthrough (commercially speaking) technologies becomes dubious since their development costs cannot be easily recouped. Second, with the breakup of the socialist camp and the Soviet Union, the West's need for cutting-edge military technology declined as its principal adversary had disappeared. Finally, demand for state of the art technology and original products even in the most advanced developing countries is limited by both their level of development and the real incomes of their populations.

In the 1980s through 1990s, spending on research programs in developed countries (excepting Japan) steadily reduced: In the United States, the reduction was a little smaller than in Germany, Great Britain, France, and Italy.¹⁰ The expectation of growing economic efficiency in the developing world also proved ephemeral. In the 1980s through 1990s, total factor productivity (TFP) showed a pronounced trend toward decline.¹¹

The Market Problem

Apparently there was a good outlook for increasing sales in developing countries: In the 1950s-1960s, the newly liberated states had a larger population and a greater share in the world's GDP than in worldwide investment and international trade. Later on, however, expansion of sales in these countries proved insufficient because of their low effective demand. One factor here was the increased cost of import owing to the frequent devaluation of national currencies, under IMF pressure.

Beginning in the 1970s, developed states focused on forcing their way into peripheral markets. Regulation and protectionism weakened and budget spending declined with balance of payments and liberalization of foreign trade taking priority in development facilitation. It was, essentially, an extensive

⁹ See: V.S. Vassiliev, "Globaliziruiushchiasia ekonomika: razvitie po vtoromu nachalu termodinamiki?" *Ekonomicheskie strategii*, No. 1, 2004, p. 16.

¹⁰ See: V.S. Vassiliev, "Globaliziruiushchiasia ekonomika: razvitie po vtoromu nachalu termodinamiki?" *Ekonomicheskie strategii*, No. 2, 2004, p. 23.

¹¹ See: V.S. Vassiliev, op. cit., No. 1, p. 14; No. 2, p. 25.

approach. By contrast, developing countries strove to combine the advantages of international specialization with regulation, protection, and consolidation of the domestic market, increasing the rate of accumulation, developing infrastructure and a more equal income distribution as a key to boosting demand. In countries of East and Southeast Asia, this policy before long produced quite impressive results.¹² Over time, positive results were also achieved in the mega-economies of China and India. The specifics of the latter were that they did not have an opportunity to resolve the fundamental problems of economic development even with very heavy external borrowing; moreover, the leadership of these countries was well aware of that.¹³

The results of the “servicization” and “informatization” of the economy thus far appear to be rather moot. In developed countries, a groundwork for these processes was laid by preceding economic evolution as well as super profits in the financial sphere. Other factors included the slow (compared to production sectors) growth of labor efficiency in the services sphere, a glut of consumer goods, changes in the consumption pattern as nominal monetary incomes increased, and the transfer of a considerable number of labor-, material- and energy-intensive and environmentally hazardous sectors to other countries. As growth rates declined and the consumer market was saturated, replacement of commodity production by provision of services often became an imperative for an effective tapping of capital.

Apparently there were several contributory factors in this substitution. First, the deepening socialization of production and the growing personal incomes of the population made for the introduction of entirely new, original services. In this respect, entrepreneurs were faced with a vast and virtually untapped market. Second, a number of services in this sphere (satellite and fiber optics communication lines, cellular phone networks, etc.) featured high capital intensity as well as considerable complexity and scope of operations. So, unlike industry, where developing countries offered strong competition and had considerable freedom of action, in the services sector, developed states temporarily had an advantage over them.

Yet, judging by the crisis affecting the “new economy” at the beginning of the new millennium, the funneling of capital into this sphere proved excessive. On the one hand, the share of services, especially financial services, in the commodity price structure began to increase too rapidly, which, among other things, points to the low efficiency of this sphere. On the other hand, 67 percent of companies sustain losses as a result of information surplus, while only one-third of companies can use it to good effect. The declining capitalization of companies engaged in the “new economy” shows that money is beginning to move into some new sphere, or quite the contrary, ending up in “old” sectors.

The economic and employment structure of the majority of developing countries as well as of the CIS states can hardly match the aforementioned change in the general direction of scientific and technological progress in the West and the rapid advance of research programs in the services sector. The fact is that the “servicization” of the economy in developed countries is a result of their extensive preceding development, formation of a viable industrial sector, socialization of production, deepening of the international division of labor, urbanization, the relative surplus of capital in the financial sector, and so on. Meanwhile, to many developing countries, “servicization” of the economy is, rather, a remote prospect so they are not always interested in pursuing innovations in this sphere.

At the same time, the slowing of scientific and technological progress has the following implications. First, for a number of developing countries, the task of catching up with the developed world in the technological sphere is apparently simplified because with its far from dynamic level of technological development this is much easier for them to accomplish (which is, in fact, what happened in South Korea, Taiwan, and Singapore). Second, because the gap (in the technological level) between the developed and

¹² One distinguishing feature of Japan, which stands somewhat apart from Western countries, is that its corporations were, as a general rule, managed by engineers, as compared to accountants and lawyers in the United States. In the late 1980s, top executives in Japan made 10 times as much as factory workers, as compared to 500 times in the United States (see: J. Risen, “Why Can’t America Catch Up?” *Los Angeles Times*, 14 January, 1990).

¹³ It is noteworthy that in 1985, the PRC (following an open discussion in the mass media) rejected a \$200 billion loan from the World Bank, offered under the “Borrow and Prosper!” slogan.

the developing world can be rapidly closed, the possibilities of the former influencing the latter are fast shrinking. Differences in the specialization of developing countries increasingly prove sufficient both for full-fledged cooperation within the "Third World," thus strengthening the trend toward regionalization, and for effective joint operations on developed markets. Third, the slowing of scientific and technological progress reduces opportunities for the transfer of obsolescent sectors of industry to less developed countries. The "goose flock" formation mechanism ceases to work. As a result, on the one hand, progress of various groups of countries down the path of rapid "catching-up-with-the-leader" development slows down; on the other hand, there is growing competition between countries at different levels of development as they have to work the same sectors.

The swelling of over-liberalized financial markets in the present situation may not be recognized as the best possible method of accelerating the investment process either. The fact that the world's average capitalization of stock markets is 90 percent of GDP, as compared to 20 percent on "emerging" markets,¹⁴ points to the focus of future world economic problems, including possible sharp fluctuations, rather than to the "immaturity" of Eastern financial markets which hardly needs adjusting as a matter of urgency. It will be recalled that shortly before the outbreak of Asian crises in 1997-1998, stock market capitalization in some countries of Southeast Asia was as high as 150 percent to 200 percent of GDP.

By and large, however, the opportunities for developed states to expand sales of goods and services in developing countries are shrinking. This also applies to the export of capital, the provision of loans, and so on. "Hot" and speculative money is becoming surplus with regard to the emerging division of labor between the main groups of countries.

A New Situation for Asia

On the whole, the growing self-sufficiency of developing countries in capital and money (except for the least developed states) manifests itself in the stabilization of the rate of accumulation¹⁵ as well as in the rapid increase in currency reserves. The aggregate foreign debt of China and India (which account for half of the population living in the developing world) has grown from \$240 billion in 1998 to \$283 billion in 2003. Meanwhile, their currency reserves during this period have grown from \$120 billion to \$510 billion. In the past few years, the currency situation of the republics of Central Asia has also improved somewhat (see Table 1).

In the 1999-2003 period, inflation in both developed countries and states of East, South, and Southeast Asia stabilized at approximately the same level as the situation in the Central Asian republics also visibly improved (see Table 2). National currency exchange rates in the majority of these countries also remained virtually stable in relation to the U.S. dollar (see Table 3). In other words, the gap between domestic prices in Asia, on the one hand, and in North America and Western Europe, on the other, remained unchanged. This disparity is a major prerequisite to the stability of current commodity flows. It can also be seen as a sign of the greater competitiveness of Asian countries as well as of a lack of effective integration into the world economy.

The words "convertibility" and "competitiveness," which have become quite trendy in recent years, unfortunately, are often interpreted in isolation from what is by far the most important market factor—

¹⁴ H. Blommestein, "Major Policy Changes in Developing Exchanges in Emerging Economies," *Financial Market Trends*, OECD, No. 85, 2003, pp. 125-126.

¹⁵ The capital accumulation rate in Eastern countries grew from 14.2 percent of GDP in 1950 to 26.5 percent in 1980. In 1995, it was 27.6 percent and in 2000, 24.6 percent (see: A.I. Dinkevich, "Ekonomicheskaya modernizatsiya tretyego mira: itogi, protivorechia, perspektivy," in: *Materialy konferentsii "Genom" Vostoka: opyty i mezhdistsiplinarnye vozmozhnosti*, Gumanitarny Publishers, Moscow, 2004, p. 6). In CIS countries (except for Kazakhstan, Turkmenistan, and Azerbaijan) said indicator is substantially lower.

Table 1

Currency Reserves of Asian Countries
(in millions of dollars)

Countries /years	1999	2000	2001	2002	2003
Vietnam	2,947	2,831	3,540	3,815	4,661
India	35,058	39,554	51,049	71,890	107,448
PRC	154,675	165,574	212,165	286,400	403,250
Malaysia	30,859	29,886	30,848	34,583	44,862
Indonesia	27,054	29,394	28,016	32,037	36,246
Kazakhstan	2,003	2,096	2,508	3,141	4,959
Kyrgyzstan	249	261	285	317	389
Tajikistan	58	87	96	96	135
Turkmenistan	1,607	1,854	1,935	—	—
Uzbekistan	—	—	—	—	—
Azerbaijan*	697	951	1,218	1,414	1,620

* In the classification of the Asian Development Bank, it is a country of Central Asia.

Source: *Asian Development Outlook 2004*, ADB, Manila, 2004, p. 296.

the price. Meanwhile, one of the keys to India's and China's current success stories is, in fact, their high price competitiveness. It is to a very large extent the result of their uncompromising and apparently effective fight against inflation in the 1990s. The purchasing power of the national currency remains a clear-cut priority in both countries,¹⁶ also serving, to a considerable degree, as a basic guideline and reference point in currency regulation. All the indications are that the ongoing upturn in India's and China's foreign trade also means a substantial expansion in the sphere of price competition on world markets. It is equally important that Beijing and Delhi were able to dramatically improve their positions in the world economy while maintaining tough currency restrictions that proved their worth as an instrument of financial stabilization in Chile, in 1993, and then in Malaysia, in the course of the 1997-1998 crisis.

So the full convertibility of national currencies on capital accounts is emerging as yet another dividing line between the developed and the developing world. This, therefore, calls into question the viability of a single world currency market as well as the sheer possibility of combining the functions of pricing, purchasing power, and a universal international instrument of payment within just one monetary unit. What this means in practical terms is the high probability of the formation of regional currencies or the establishment of currency units of large countries in this capacity as well as the emergence of new payments and stabilization agreements (by 2004, East Asian countries alone concluded \$36 billion worth of the last mentioned). This highlights the growing polycentrism of the world economy.

It so happens that the "nonconvertible" Eastern money proves to be more conducive to economic development than Western money does. Indicatively, the former recalls the European national currencies

¹⁶ The law on the National Bank of China, adopted in 1995, stresses that its principal objective is to maintain the purchasing power of the national currency in the interest of ensuring rapid economic growth.

Table 2

Annual Consumer Price Growth in Asian Countries (the figures are in percentages)

Countries/years	1999	2000	2001	2002	2003	2004*
Vietnam	4.1	-1.7	-0.4	3.8	4.0	4.5
India	3.3	7.2	3.6	3.4	5.3	5.0
PRC	-1.4	0.4	0.7	-0.8	1.3	3.0
Malaysia	2.8	1.6	1.4	1.8	1.2	1.5
Indonesia	20.5	3.7	11.5	11.9	6.6	6.5
Kazakhstan	8.3	13.2	8.4	5.9	6.6	5.4
Kyrgyzstan	35.9	18.7	6.9	2.0	3.0	3.8
Tajikistan	27.5	32.9	38.6	12.2	16.4	8.5
Turkmenistan	23.5	8.0	11.6	8.8	5.5	5.0
Uzbekistan	26.0	28.0	27.4	27.0	10.0	20.0
Azerbaijan	-8.5	1.8	1.5	2.8	2.2	4.0

* Forecast.

Sources: Key Indicators of Developing Asian and Pacific Countries 2002, ADB, Manila, 2002; Asian Development Outlook 2004, p. 284.

Table 3

The Average Annual National Exchange Rate to the U.S. Dollar

Countries/years	1999	2000	2001	2002	2003
Vietnam	13,943.2	14,167.7	14,725.2	15,279.5	15,732.0
India	43.3	45.7	47.7	48.4	46.1
PRC	8.3	8.3	8.3	8.3	8.3
Malaysia	3.8	3.8	3.8	3.8	3.8
Indonesia	7,855.1	8,421.8	10,260.8	9,311.2	8,577.1
Kazakhstan	120.1	142.3	146.9	153.5	149.5
Kyrgyzstan	39.0	47.7	48.4	46.9	43.7
Tajikistan	1.2	1.8	2.4	2.8	3.1
Turkmenistan	5,200.0	5,200.0	5,200.0	5,200.0	5,200.0
Uzbekistan	124.6	236.6	423.0	769.0	971.3
Azerbaijan	4,120.2	4,474.2	4,656.0	4,860.8	4,910.7

Sources: Asian Development Outlook 2004, p. 295.

of the 1950s-1960s. This also evokes more far-going associations with that period: It is noteworthy that the concept of “people’s capital” (*minzi*) has lately gained currency in the PRC.¹⁷ Finally, it is also interesting that the movement of Chinese and Indian currency exchange rates throughout the postwar period has on the whole been in sync with changes in their internal purchasing power.¹⁸

Table 4

The Structure of GDP in Asian Countries
(the figures are in percentages)

Countries/years	Agriculture			Industry			Services		
	1980	1990	2002	1980	1990	2002	1980	1990	2002
PRC	30.1	27.0	14.5	48.5	41.6	51.7	21.4	31.3	33.7
India	38.1	31.0	25.0	25.9	29.3	25.9	36.0	39.7	49.2
South Korea	14.9	8.5	4.0	41.3	43.1	40.9	43.7	48.4	55.1
Malaysia	—	15.2	9.1	—	42.2	48.3	—	44.2	46.4
Indonesia	24.8	19.4	17.5	43.4	39.1	44.5	31.8	41.5	38.1
Pakistan	29.6	26.0	24.2	25.0	25.2	22.4	45.5	48.8	53.4
Philippines	25.1	21.9	14.7	38.8	34.5	32.5	36.1	43.6	52.8
Kazakhstan	26.0	41.8	7.9	47.4	37.0	35.5	26.6	21.2	56.6
Kyrgyzstan	—	33.6	38.6	—	35.0	24.9	—	31.4	36.5
Turkmenistan	—	18.0	22.5	—	57.0	42.4	—	25.0	35.1
Uzbekistan	—	33.1	34.6	—	33.0	21.6	—	34.0	43.8
Azerbaijan	—	30.8	15.2	—	30.8	49.5	—	38.5	35.3

S o u r c e: Key Indicators of Developing Asian and Pacific Countries 2003, p. 104.

The economic structure that evolved in the West in the course of the downward phase of the long-term (Kondratyev) wave, which began in the 1970s, does not respond to the interests of the majority of the developing countries (the level of “servicization” in a number of Central Asian states appears to be excessive—Table 4). So the prolonged uncertainty in the transition to an upward phase of economic development in the West can and should prod developing countries as well as CIS states toward a more proactive behavior in the world economy.

First, measures can be implemented to protect the national (regional) markets of services and capital against unfettered competition that is caused by globalization. Of course, this is not about the return to protectionism, especially considering that once they have become aware of their growing competitive-

¹⁷ It ought to be pointed out in this context that at the height of the latest inflation explosion in the PRC in the 1993-1995, the bank loan rate at state controlled banks (approximately 10 percent) was below the level of inflation (about 17 percent). Meanwhile, banks paid yields on term deposits at an annual rate of around 9 percent, thus attaining the main objective—preserving public trust. Not surprisingly, bad debt built up within such a system. True, the acuteness of the problem should not be overstated: It is alleviated somewhat by, among other things, dynamic economic growth.

¹⁸ For more detail, see: I.M. Sofiannikov, *Valiutnoe regulirovanie v Kitayskoy Narodnoy Respublike*, Cand. Sc. Thesis, Moscow, 2003; A.V. Shakhmatov, *Evolutsia valiutno-finansovoy politiki v Indii v gody nezavisimosti*, Institute of Oriental Studies, Moscow, 2004.

ness, China and India already oftentimes advocate free trade, which, for its part, stimulates isolationist trends in the West. It is more likely that the functions of regional integration groups, where developing countries will be able to find relatively protected space, will be expanded. Neither should some rather serious changes in the policy of international financial institutions, including the WTO, be ruled out, such as, e.g., a review, under pressure from developing countries, of some of the accords of the GATT Uruguay round. Second, services are currently turning into a major instrument of emerging markets development. The fact is that services (as a sector) are easier and cheaper to develop than industry: A good case in point is the experience of Singapore, India and other Asian states. So the West's dominant position on the services, including financial services, market could be undermined rather quickly. In other words, there is a certain likelihood today that some of the processes that occurred over the last quarter of the past century could be reversed. Economic growth rates in Asia also provide cause for optimism (see Table 5).

Table 5

GDP Growth Rates in Asian Countries
(the figures are in percentages)

Countries/years	1999	2000	2001	2002	2003	2004*
Vietnam	4.7	6.1	5.8	6.4	7.1	7.5
India	6.1	4.4	5.8	4.0	7.3	7.4
PRC	7.1	8.0	7.3	8.0	9.1	8.3
Malaysia	6.1	8.5	0.3	4.1	5.2	5.8
Indonesia	0.8	4.9	3.5	3.7	4.1	4.5
Kazakhstan	2.7	9.8	13.5	9.8	9.2	9.5
Kyrgyzstan	3.7	5.4	5.3	0.0	6.7	4.1
Tajikistan	3.7	8.3	10.2	9.1	10.2	8.0
Turkmenistan	16.0	17.6	20.5	8.6	10.0	10.0
Uzbekistan	4.4	3.3	4.1	4.0	4.4	4.5
Azerbaijan	7.3	11.0	9.9	10.6	11.2	9.0

* Forecast.
Source: *Asian Development Outlook 2004*, p. 277.

* * *

Thus, since the 1970s cooperation between developed and developing states has evolved against the background of declining economic growth rates. The model of world market expansion, which in the 1950s-1960s included accelerated development of infrastructure and a more equal distribution of income, began to give way to an extensive model. This transformation was based on the movement toward monopoly, quick profit and rent, including in the credit sector. "Short" settlements and "short" money gradually (but not everywhere) began to supersede strategic approaches toward development. Before long, developed countries were faced with an erosion of economic fundamentals (including capital and the

market) as well as a gap between theory and practice, linked to the increasing inadequacy of the basic categories of analysis and neo-liberal regulation methods.

By the beginning of this century, the successes of the Chinese and Indian mega-economies confronted the developed world with an unaccustomed division of the world economy into productive and consumer sectors. The threat of the burst of the “financial bubble,” which to a very large extent resulted from the monopoly on “convertible” money—and now also the threat of its loss—compels revisiting the theory of employment, interest rates, and money as well as a corresponding policy. The fight against poverty is gradually entering the agenda of leading international institutions as a high priority, thus reflecting, among other things, the pressing need to boost demand. Concepts similar to the ideas of the new world economic order that were put forward by developing countries in the 1970s are once again beginning to take center stage.

Contrary to the expectations of a harmonious blending of capital and labor on the global scale as the future of the world economy (underlying the concept of neoliberalism), by the beginning of this century, the picture on the ground was entirely different. In approaching the phase of self-sufficiency in capital, the largest developing nations displayed a trend toward a selective use of foreign capital, effectively knocking down monopoly loan prices. This may be a factor in the reduction of interest rates that has been observed on the world market in the past few years. “Hard currencies” may yet lose some of their relative value. Therefore, the return to former dollar prices of fuel and raw materials is unlikely: Their current level reflects, among other things, the latent depreciation of “hard currencies.”

With this view of the present situation, some recommendations for CIS economic strategies would be appropriate. First, the increase in the rate of accumulation is fairly topical for many of them. One essential ingredient of financial stabilization and adjustment of the hypertrophied services sector (including financial services) is bringing the real loan interest rate to a level of 2 percent to 3 percent with the maximum level of inflation at 3 percent to 5 percent. There is also a pressing need to stabilize the relative level of domestic prices (factoring in the currency exchange rate) at a point close to the Asian average. Otherwise capital formation in the real sector and preservation of its competitiveness are impossible, while all talk about the need to regulate small and medium sized businesses will remain just wishful thinking. In further streamlining the banking system, it is useful to remember that “society’s morality and intellectual abilities are inversely proportion to the loan interest rate.”¹⁹ Neither do there appear to be any viable alternatives to the expansion of the domestic market through a more even distribution of incomes and infrastructure development facilitation.

Second, there is a need for tightening control over foreign capital (antimonopoly legislation should be reviewed in favor of transparent local corporations because most of them are not multinationals, essentially differing from major Western investors), let alone over “hot” money. The “full” convertibility of the ruble and other national currencies had better be postponed.²⁰ In the meantime, an in-depth discussion about the nature, types, and prospects of contemporary money should be conducted. The fact is that money from the developed world (with the same conditions for making it available) proves superfluous in the ongoing globalization which is increasingly shifting to the East, while some properties and characteristics of “fully convertible” currencies are far from unquestionable (in terms of their monetary functions).²¹ External borrowing and loan interest rates need to be minimized, including through regulatory measures. There are sufficient prerequisites for this on the world financial market in so far as the West’s currency and credit monopoly has already to a very large degree been undermined by China, India, and other developing countries. Cooperation between them in the financial, including currency, sphere (with the ac-

¹⁹ E. Bem-Baverk, *Kapital i pribyl: Istoria i kritika teorii protsenta na capital*, St. Petersburg, 1909.

²⁰ We cannot but agree with Joseph E. Stiglitz’s conclusion about the cause of the 1997-1998 Asian monetary and financial crisis: “capital account liberalization was the single most important factor leading to the crisis” (Joseph E. Stiglitz, op. cit., p. 99).

²¹ Not surprisingly, convertible currencies were dubbed “mad money” (see: S. Strange, *Mad Money. When Markets Outgrow Governments*, Ann Arbor, New York, 1998). Suzan Strange is the author of a controversial book, *Casino Capitalism* (1984). It is worth noting that markets did not overgrow governments, while multinationals did only in some places (for more detail, see: G.K. Shirokov, A.I. Salitskiy, “Rynok, monopolii, gosudarstvo: zapadnaia i kitayskaia modeli,” *Vostok*, No. 1, 2004).

tive participation of CIS countries) could further strengthen both their general and individual positions in the world economy.

Third, there is no need to rush accession to the WTO, while the strategy of conduct in this organization needs to be carefully thought through. Here it is important to give greater consideration to the position of developing countries with regard to foreign capital circulation (a selective approach), on the one hand, and take into account the high (and in relation to a number of CIS countries, especially Russia, rising²²) price competitiveness of Asian states, on the other.

For the short and medium term, closer cooperation with Asian partners with a special emphasis on bilateral and multilateral relations is preferable (including in the interest of achieving a balanced relationship with the West). It is useful to tap the Asian experience in various forms of cooperation in the financial sphere. For example, stabilization agreements could help to reduce "hard currency" reserve requirements, using surplus currency for the needs of the real economy and anti-inflation schemes (e.g., early repayment of foreign debt). Next, energy and transport programs (as well as land and forest resource development programs) should be built on the recognition of a more stable character of demand in Asia and the existence of a dynamic entrepreneurial stratum linked to the real economy here. Finally, in the long term, the reliability of national currencies in a number of states in this part of the world and therefore the future value of Asia's financial assets appear to be fairly high.

²² In 2003 alone, appreciation of the ruble's real exchange rate against the backdrop of its declining purchasing power on the domestic market brought down Russia's price competitiveness at least 25 percent.

THE FUNDAMENTAL CONCEPTUAL PRINCIPLES OF ECONOMIC INTEGRATION IN THE CENTRAL ASIAN COUNTRIES

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The Central Asian countries are actively participating in many development processes known today as globalization: as international trade expands, the number and volume of financial transactions increase, and investment flows intensify, states are integrating at a faster rate into the global economy.

Developed countries have been elaborating their strategy for integrating into the global economy for decades now, constantly reassessing their vision of where they belong in this process. In contrast to them, the Central Asian republics are at the initial stage of entry into the global processes.

Globalization challenges national economies, on the one hand, in particular their sustainability, while providing states with new opportunities, on the other. All of these challenges must be responded to, for globalization, which is based on intensification of the division of labor and the development of high technology, is an objective process not one of the world's nations can afford to ignore (or become artificially isolated from).

It is another matter that most of the world community, particularly the developing countries, are not ready for it either economically, or technologically, or psychologically. Membership in the WTO, which the countries of our region are striving for, is a case in point. Ignoring the regulations set by the World Trade Organization and being unable to join mean dooming a state to discrimination in many spheres of foreign economic relations.

The advantages of globalization are obvious and, without a doubt, related to the results of participating in the international division of labor and in the continuous introduction of innovations, as well as to the possibility of linking up with contemporary communication systems and other service lines, making efficient use of know-how, integrating into the structures of transnational corporations and through them gaining surefire access to foreign markets, and so on.

It is extremely important, in our view, to find ways to neutralize the possible negative phenomena. First, developing countries "with a weak financial sector and indeterminate macroeconomic policy" must insure themselves against the potential problems associated with the free movement of transnational capital, particularly that of a speculative nature. Second, there is a sharp distinction between the leading states and the peripheral countries, the gap between rich and poor countries, between technologically developed and backward countries, and between countries with a sophisticated and efficient social safety net and those with a low standard of living is growing increasingly wider. Third, the role of the state is declining and the significance of transnational companies and international organizations is growing, which often dictate their own "rules of the game." At the same time, it can be said that the activity of global international structures and financial economic institutions, for example, the WTO and IMF, is becoming less effective. World practice shows that the decisions of these institutions often depend on the geopolitical preferences of the main shareholders (in particular the U.S.) and are conditioned by serious political concessions.

In this way, trends are seen toward incorporating only the "golden billion" states into the system of agreements, while developing countries are excluded from the global decision-making process. In this respect, despite certain achievements in reform policy, the Central Asian republics (with their low level of integration into the world economic and political system) find it very difficult to meet the challenge posed by vital world trends. Under these conditions, for every national economy, which applies in particular to the developing countries, it is important to define optimal (in terms of rate and scale) parameters and forms for entering the globalized systems by assessing real possibilities, making maximum use of the advantages available, and keeping any possible negative aspects of participating in these systems to the minimum.

Today it is becoming obvious that the only correct response to the challenges of globalization for the Central Asian states is regional economic and political integration. Based on this, the Central Asian Cooperation Organization (CACO) could become that viable integration structure capable of raising the region to the rank of a main world player in the future.

It is vitally important that the Central Asian countries choose an integration model suited to them, as well as create the main mechanisms of cooperation in power engineering, transportation, and water resources.

The main economic prerequisites of integration can be singled out. Of course, for the republics of the region, integration is a response to the challenges of globalization, and the first questions these countries need to deal with are how to position themselves in the world system of coordinates, and whether they have the potential to produce and advance onto the foreign markets competitive, including science-intensive, commodities.

The Central Asian countries must also deal with other questions: successful integration requires that each of the states has approximately the same level of economic development and a stable economy for ensuring its further progressive growth. What is more, an extremely important aspect is the political will of the leadership of the integrating countries, as well as coordination and harmonization of the foundations of their economic activity. Successful integration also depends on forming corresponding institutions and harmonizing the legislative base.

A detailed analysis of the region's countries shows that to a certain extent our economies are in competition with each other, that is, they produce the same commodities, but with different levels of productivity, but they are also complementary. On the whole, these republics have the strategic potential necessary for developing cooperation, and their governments are taking measures aimed at overcoming crises and at enhancing integration. As of today, the Central Asian countries are an essentially formed and self-sufficient socioeconomic and cultural-historical region with developed traditions of cooperation and interaction. The relations among them are largely multifaceted: contacts are being established for ensuring security, as well as in the economic, social, and cultural spheres.

The basic components of strategic potential for developing cooperation include the following: the stable legal and institutional base, that is, formulated market institutions (financial, fiscal, a pension system, and so on) and interstate institutions; the level of economic development; and resource potential (labor, energy resources), which could be realized while developing integration. When taking a look at the elements of integration potential separately, it should be kept in mind that the Central Asian countries are gradually forming a legal and institutional base of cooperation. In 1998, the Central Asian Economic Community was created, which over time was transformed into the abovementioned Central Asian Cooperation Organization. In 2004, this organization entered a new stage in its development when Russia joined, which, in our opinion, gives this structure another reason to develop individual aspects of integration.

This process will also be boosted if the countries of the region have a similar level of sustainable economic development. When comparing these countries in terms of GDP and industrial product volume, it became clear that they all have a certain growth potential: after several years of continuous slump, a definite upward trend began during the second half of the 1990s. For example, in 2003, the average annual increase in the GDP amounted to approximately 9% in Kazakhstan, to 6.7% in Kyrgyzstan, to 7% in Russia, to 7% in Tajikistan, and to 4.4% in Uzbekistan (data of the Statistics Agency). These indices show that the countries of the region have reached a vector of progressive economic growth. What is more, Kazakhstan surpasses the other Central Asian countries in terms of per capita GDP. For example, according to the CIS Interstate Statistics Committee, Kazakhstan's GDP is 22.2-fold higher than Tajikistan's, and 15.8-fold higher than Kyrgyzstan's. It amounts to almost \$2,000 per capita in Kazakhstan, to \$360 in Kyrgyzstan, and to \$200 in Tajikistan.

The third component, as we have already noted, is labor and energy resources. The total area of the CACO states amounts to 21.08 million sq. km, which is five-fold more than the territory of the EU states (4.066 million sq. km). These states have rich human resources, a vast, but still under-assimilated market whose consumer potential will grow as the market's natural resources are developed and the population's prosperity grows. This indicates the high capacity of the consumer market: the total size of the population in the region's countries (including Russia) is approximately 200 million people. The overall territory of the CACO has one of the highest concentrations of energy resources on the planet. The states belonging to this organization have the largest supplies of fuel and energy resources. There are large fields of oil and gas in Russia and Kazakhstan, which enjoy demand on the world market. In particular, Russia's share of the world oil supplies amounts to 10-12% and of gas supplies to 31.2%. In terms of hydrocarbon supplies, Kazakhstan is also one of the largest countries in the world: it occupies 12th place in terms of explored oil deposits (not counting the supplies on the Caspian Shelf, which have not been accurately assessed), 15th place in terms of gas and gas condensate, and 23rd place in terms of oil production. On the whole, our republic accounts for up to 2% (not counting the Caspian Shelf) of the explored and confirmed oil supplies. In this respect, the integration interaction policy among the region's countries is promising, which is aimed at increasing oil and gas production at the operating fields, taking into account domestic needs and foreign demand, joint development of new fields, refining of hydrocarbons using up-to-date technology, and building modern major pipelines for exporting oil and gas.

The CACO countries have great opportunities for forming a common electric power market and corresponding capacities. In this respect, Kyrgyzstan and Tajikistan have unique hydropower resources. Their rational use will make it possible to provide the southern regions of Kazakhstan with cheap electric power and water in exchange for deliveries of Ekibastuz coal. What is more, the electric power systems of individual CACO states (Russia, Kazakhstan, Kyrgyzstan, and Tajikistan) function under parallel con-

ditions (in compliance with the treaty on parallel operation of the energy systems of these countries), which is the main factor in raising the overall level of their reliability and economy. What is more, these states have a certain potential for developing nuclear power. Russia, Kazakhstan, Kyrgyzstan, and Tajikistan have large fields of uranium ore. In particular, Kazakhstan accounts for 25% of the world uranium supplies, and Russia for 14%. Restoring economic ties between production and refining enterprises of uranium ore and the uranium raw material will make it possible for our republic to modernize the industry's enterprises and management system, as well as increase the production indices, for Kyrgyzstan and Tajikistan to raise the profitability of integrated mining and ore-dressing works, for Russia to extend its raw material base, and for Belarus to deliver supplies, instruments, and equipment for the nuclear industry.

What is more, the CACO countries possess significant coal potential. Russia and Kazakhstan are among its main producers in the region. For example, Russian coal deposits exceed 200 billion tons (11% of the world supplies), and Kazakhstani deposits amount to 35.8 billion tons (3.6% of the world supplies). Kyrgyzstan and Tajikistan's coal demand is mainly covered by imports from these two countries. In this respect, a pertinent question arises concerning expanding mutually advantageous cooperation in coal production, the joint development of new fields, and the introduction of high coal-processing technology.

An analysis of the economic potential of integration development allows us to single out certain cooperation priorities: the implementation of energy projects, in which an integrated energy market is included, assimilation of the Caspian, alternative pipeline systems, the formation of a single metallurgy market, the development of a transportation infrastructure and telecommunications, the strengthening of ties between border regions, and the drawing up and implementation of joint investment programs, which could also include mutual investment.

If we take a closer look at each of these five priorities, we can see that in order to develop energy market, the Central Asian countries would do well to create a common network for energy resource transportation and an integrated energy market. Of course, this requires coordinating (in the short term) the main principles of tariff, tax, and customs policy in the energy sphere, as well as harmonizing corresponding legislation. Along the same lines, the states of the region should think about creating a Council on the Formation and Development of the Energy Market for initiating projects in this area. When reviewing oil and gas transportation alternatives, work should be coordinated in such a way that these projects do not compete with each other. This will make it possible to enter new markets in China, the EU countries, and the APR.

The second vector of integration is developing a single metallurgy market. In this respect, the countries of the region could join forces to introduce up-to-date technology into the production and refining of ore, in which Russia has accumulated invaluable experience. Joint ventures should be created for producing and refining ferrous and non-ferrous metal ores. This all requires a coordinated state investment policy in metallurgy. Such projects could very likely be implemented within the CACO.

As for developing a transportation infrastructure and telecommunications, many experts are reaching the conclusion that an integrated transportation consortium should be formed, as well as an integrated tariff policy drawn up, a customs policy coordinated, and joint investment programs carried out.

An important aspect of integration is developing cross-border cooperation. The countries of the region may have to create programs aimed at strengthening ties in this sphere. The most important thing here is improving conditions for the movement of goods, services, and people. What is more, the local administration bodies play an important role in border cooperation. In this respect, at the state level, it would be well to draw up and adopt a program, by which these bodies could promote the development of cross-border contacts not only in the economy, but also in cultural, social, and other spheres.

Another important vector of integration is investment cooperation. A corresponding analysis showed that there are certain focal points of growth, industries, and projects in the region's countries, in which the Central Asian republics could find mutual interest. In this respect, a joint program for developing investment cooperation must be adopted. The economic mainstays here are power engineering, the refining industries, joint space development, nuclear power, the metallurgical industry, and agriculture. In so doing, it should be noted that Kazakhstan and Russia already have the opportunity to become investors in some of the region's states. Whereas the Central Asian republics used to strive to attract exclusively western resources, today, they are able to spend domestic capital on developing joint regional projects.

On the whole, review of the main conceptual integration blocs allows us to conclude that integration of the Central Asian countries must be raised to a qualitatively new level and that it is expedient to transfer from agreements (at the level of document adoption) to the practical implementation of specific investment projects.

To keep abreast of the times, we must join efforts to promote integration and raise the region's economic, political, and cultural environment to a higher level. In order to achieve this, the Central Asian countries must strive to make collective decisions and formulate a joint response to the challenges of today's globalizing world.

GEORGIA: ECONOMIC POLICY AFTER THE "REVOLUTION OF ROSES"

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In 1989, influential financial and political organizations and well-known economists agreed upon the main lines of reform in economic policy, which became known as the Washington Consensus. Its ideas had a significant impact on the way of thinking and course of action in the countries of Eastern Europe and in the Soviet Union, although initially that policy was intended not for a restructuring of the postsocialist countries, but for already functioning markets, so that in some respects it proved to be inadequate to the needs of the transition period.

The Washington Consensus stressed the importance of liberalization, privatization, the opening up of postsocialist economies, and the necessity of maintaining fiscal discipline. But that approach did not take into account a number of important elements required for systemic transformation, stabilization and growth. This includes institution building, an improvement of corporate governance in the state sector prior to privatization, and a review of the state's role in the economy, but without its complete withdrawal from economic activities (as the record of many countries shows, with excessive deregulation a society based on the principles of liberalism cannot prevent an increase in social inequity).

The assumption that emerging market forces can quickly replace the government in the field of institutional development, investment in human capital and development of the infrastructure resulted in a sharp contraction of the economy and growing social tensions. The lack of a basic market structure and financial intermediaries impeded accumulation and worsened the allocation of savings. Thus, the lack of proper control over the emerging market in the postsocialist countries and the absence of such key organizations as investment banks, stock exchanges, security and control agencies, etc., created problems which could not be resolved by liberalization or privatization. Employment in these countries fell sharply. Since their economic systems had formerly operated with a labor shortage, they had no social security system protecting against unemployment and were obliged to build up such a system from scratch.

The need to manage the institutional aspects of the transition process was recognized and taken into account only at later stages. Georgia has learned from its own experience that even a sound economic basis (i.e., a balanced budget and current account, low inflation, a steady currency, free trade and a developed private sector) cannot ensure growth unless it is supported by an appropriate institutional setup.

Much is being said today about the shortcomings of the set of measures recorded in the Washington Consensus and about the advantages of "gradualism" compared with "shock therapy." However, it is rarely

taken into account that the most destructive effect on the transition economy was exerted not by these measures themselves, but by their half-hearted implementation. That is why in many countries, including Georgia we saw the emergence of an essentially corrupt and destructive combination of the private property system and a quasi-market, which means a lack of normal competition and of a level playing field for business activity. That resulted in a sharp stratification of society and large disparities in consumption levels. In Georgia, all these processes created a prerevolutionary situation.

Let us consider some of the results of the economic reforms in Georgia achieved by the end of 2003 and the changes taking place today, assessing them in accordance with the ten points of the Washington Consensus as listed by John Williamson at the time.

1. **Fiscal Discipline.** According to this principle, the budget deficit should be small enough to be financed without recourse to the inflation tax. In Georgia, however, fiscal policy was inconsistent with this principle from the time of the country's withdrawal from the ruble zone to the introduction of a new national currency (the lari) at the end of 1995. It was not only the state budget deficit and numerous special government programs that were financed by the state, but also private business projects. Most of these involved corruption and had nothing to do with the real economy, but were used for speculation in the foreign exchange market. The fall in the exchange rate of the national currency was both a result of such activities and their nutrient medium. Once hyperinflation had been overcome and a new currency introduced, the operation of financial mechanisms entered a relatively balanced period (1996-1997), which was once again interrupted by the negative impact of the Russian default in August 1998. The authorities associated the worsening financial problems only with these external factors, whereas in actual fact it was gradually becoming clear that the regime was in principle incapable of coping with the problems of the state budget: for five years running, actual revenues fell far short of the budget figures. Moreover, a few months into the fiscal year the authorities would announce the need to sequester or reduce the budget and would get down to restructuring budget expenditures (without meeting the proportionality requirement in reducing expenditure items), which became an important corruption scheme in the functioning of the former regime.

Since the beginning of 2004, intensive measures have been taken to combat such chronic phenomena as inadequate administration in collecting taxes and payments into the central budget (according to experts, tax compliance did not exceed 35-40%); money offsets; use of commercial bank credits guaranteed by the Ministry of Finance on behalf of the government, of signature and other loans; conversion of debt owed by enterprises and organizations subordinate to local government bodies into domestic public debt; inordinately high inter-enterprise arrears; misuse and ineffective use of budgetary funds.

State budget revenues in 2004 were scheduled to be 35% above the actual figure for the preceding year. But the results of the first six months have turned out to be so encouraging that, according to the government, the total increase in revenue could be close to 54%. Such optimistic forecasts in the sphere of public finance management are also based on the resumption of cooperation with the IMF, suspended about three years ago through the fault of the country's former authorities.

2. **Public Expenditure Priorities.** Postrevolutionary financial policy provides that expenditure should be redirected from socially and politically sensitive areas toward fields with high economic returns and the potential to improve income distribution. The chronic budget deficit and the state's complete withdrawal from economic activity under the former regime (not counting widespread "racketeering" by government officials or their business activities and unfair lobbying practices) made it impossible to carry out measures designed to regulate public spending. Moreover, pervasive corruption in this area gave occasion to the institution in early 2004 of criminal proceedings against the former head of the State Control Chamber, the country's main watchdog agency in the field of financial control.
3. **Tax Reform.** Such reform involves broadening the tax base and cutting marginal tax rates in order to improve horizontal equity conducive to economic growth. One should note that tax

reform in Georgia is just beginning. The new Tax Code will probably be adopted by the end of the year. The tax base is to be expanded through a resolute improvement in tax administration, suppression of smuggling and abolition of numerous tax benefits which nominally take the form of social assistance but in actual fact have a corruption content.

4. **Financial Liberalization.** Its main objective—market-determined interest rates—has in principle already been achieved. But given the lack of confidence (and also in view of interest rate inertia as inflation falls), these rates have turned out to be so high as to threaten the financial solvency of enterprises and make it impossible for them to obtain credits, especially long-term credits. In the conditions of high dollarization of the economy and flight of savings abroad, the banking system cannot pursue a flexible monetary policy and in effect remains on the sidelines of production processes. Today the country's authorities are taking resolute measures to improve the investment environment, enhance the protection of property rights and promote mutual confidence between economic agents, which will help to mobilize national and to attract foreign financial resources and will thus serve to improve the operation of the banking sector.
5. **Exchange Rates.** The country today has a liberalized foreign exchange regime. Exchange rates are established as the result of trading on the Interbank Currency Exchange. For several years now the National Bank has not carried out any interventions in support of the exchange rate of the lari, which became possible owing to a very tight monetary policy and stringently controlled money supply. In the view of many experts, the country's currency today is excessively overvalued in relation to the key world currencies, which impedes the development of export production. The level of capital concentration and monopolization in the banking sector is very high, creating the danger of collusion for the purpose of economically unjustified currency speculation. People sense this danger and are in no hurry to part with the foreign currency they hold even in the conditions of an overvalued lari. On the whole, the banking system (despite its relative independence) did not escape the impact of the former corrupt regime. The National Bank is accountable to parliament, but until recently this accountability was only nominal. However, the newly elected parliament, which started work in April 2004, has been trying to establish proper relations with the banking system.
6. **Trade Liberalization.** In 2001, Georgia joined the World Trade Organization. At the same time, influential industrial circles have expressed dissatisfaction over the country's inability to protect its domestic market and to organize import-substituting production. The republic's leadership is fully committed to WTO membership and intends to stimulate export production, which meets Georgia's long-term interests.
7. **Foreign Direct Investment.** Barriers impeding the entry of foreign firms have been abolished. Foreign and domestic companies can compete on equal terms. But the territorial disintegration of the country (about 30% of its territory is outside its jurisdiction, which creates the danger of a renewal of the conflict) and the high level of corruption and "shadow" economic activity did little to enhance Georgia's investment attractiveness. Today there are promising signs of improvement in the investment climate, both from the standpoint of territorial integrity and in the drive to curb corruption. An immense role here could be played by targeted funding of programs for the development of the republic's economy currently undertaken by the international community.
8. **Privatization.** Under the former regime, there was a massive sell-off (at giveaway prices) of state-owned enterprises, which fell into the hands of former "red directors" and their patrons. Most of the plants and factories privatized in that way are still standing idle, while their owners have been selling land and other fixed assets. In spite of just criticism of the state of affairs and numerous offenses committed in this area, privatization (especially under the new authorities) is on the whole entering its final stage, which should result in the emergence of a robust equity market. This stage has generated particularly heated debates in society, which center on the privatization of so-called "strategic facilities," especially by foreign buyers. As a manifestation of the old mentality, people often argue that the new owners of alienated facilities can harm

national interests, forgetting the harm that has already been done by the state to the facilities it used to control (or still controls). On the other hand, these debates show the growing maturity of the public consciousness, with people expressing progressive views on the economic security of the state in the conditions of globalization of the world economy. At the same time, it is gradually becoming clear that changes in corporate governance are very important—alongside and to some extent in contrast to the indiscriminate transfer of ownership (just as long as state property is sold off), something that has now been recognized even by keen supporters of rapid mass privatization.

9. **Deregulation.** The country's new leadership accords top priority to deregulation and denationalization of the economy, notably by expanding the rights of autonomous entities and enhancing the role of local self-government, and also to the development of fiscal federalism. The dialectics of the completion of the transition period in our republic is such that it is first of all necessary to reduce the state's role to a minimum, to close all the loopholes for rent-seeking bureaucratic supervision, to enable the economy to develop in accordance with its own laws, and then, with due regard for the changing internal and external conditions, to think about the methods and extent of government intervention, which is an indispensable part of economic life in any country. Further democratization of political and economic life is an equally significant factor, which will make it possible to go over from reforms imposed "from above" to political activity by free enterprise and local self-government.
10. **Property Rights.** In the conditions of a sprawling shadow economy (informal sector) and widespread corruption, the official legal system had to accommodate itself to "shadow" illegal law and illegal courts (or courts that were "legal" for participants in organized economic crime). In the past few years, the country's law enforcement agencies did nothing to suppress illegal business. In fact, these agencies themselves often colluded in corruption and bureaucratic abuses, so expanding the scope of illegal law. That situation was one of the main causes of the revolutionary expression of popular discontent. From its very first days in power, the country's new leadership began to put things in order within the law enforcement system. The president has announced a tax amnesty, which provides that criminal proceedings will not be instituted against businessmen for concealment of income under the former regime, with the result that many of them are now moving out of the shadow into the sphere of legal business. In June 2004, the chairman of the republic's Supreme Court was removed from office, and work is underway to overhaul the judiciary. The country's parliament pays close attention to the development of legislation designed to protect property rights, to contract law and an improvement of the institutional foundations of the economy. The newly elected parliament has deemed it necessary to set up a parliamentary Committee for European Integration, one of whose tasks is to harmonize legislation in the field of protection of property rights.

Representatives of the new authorities have repeatedly declared that institutional measures are the key to further development. If a country's government neglects institutional arrangement and leaves it to spontaneous processes, giving full play to liberalized market forces, the systemic vacuum will be filled with informal institutionalization, as Georgia has learned from its own bitter experience. The Bretton Woods organizations should change their policies towards transition economies in order to direct them towards institution building, the creation of a full-fledged securities market and appropriate price support. The liberalization of capital and its transfer from the "shadow" to the legal economy should be brought under the control of the country's financial and monetary authorities with the support of international financial institutions.

Georgia's present policy-makers are probably quite right in thinking that government composition is less important than the quality of policy and the means of its implementation and that political conservatives should give way to reformers. However, the critics of such an approach are displeased with the fact that the average age of government members in the republic is much lower than in any other postcommunist country.

Meanwhile, Georgia's young head of state, as indicated by his speeches, takes into account that institution building is by its very nature a gradual process with its own internal logic ruling out both frequent

change of tack and hasty extremist decisions. At present, the next item on the agenda is to restructure and modernize the judicial system and to transfer some of the central government's powers and authority to local government bodies, which is necessary to reduce government intervention in the postsocialist economy.

In June 2004, the government published its program for 2004-2009, entitled "For a Unified and Strong Georgia on the Path of Economic Growth, Long-Term Stabilization and European Integration." In the field of institutional reform, this program formulates the following tasks: to increase saving by maintaining fiscal discipline through a significant improvement in the work of financial control agencies; to reorient public expenditure toward more rational social spending with a simultaneous increase in the role of the budget as an instrument for stimulating priority lines of development; to restructure the tax system so as to maximize incentives to economic growth; to tighten banking supervision, and to maintain a competitive exchange rate of the national currency, both stable and flexible. The program also provides for trade liberalization, creation of a single national market and of conditions for extending the general principles of market regulation to the country's entire territory; completion of the privatization process, deregulation of the economy; establishment of well-defined property rights accessible to all, and also of political and economic institutions that would help to minimize transaction costs and ensure contract implementation; and an increase in spending on education, especially primary and secondary education.

Observers and economic experts accentuate the weaknesses of Georgia's institutional structure to which the new authorities should pay special attention. These include: an undeveloped organizational infrastructure required to create a liberal market economy; insufficiently competent financial intermediaries incapable of efficient allocation of privatized assets; inadequate commercialization and liquidity of state enterprises (prior to privatization); lack of managerial experience and skills for exercising corporate governance in the conditions of a deregulated economy; a weak institutional infrastructure for political competition, especially in connection with the coming 2005 elections to local self-government bodies; weak and corrupt judicial agencies unable to enforce the Tax Code and business contracts; low professional standards and inadequate funding of the local authorities, which makes them incapable of addressing regional development problems; the small size and poor financial standing of nongovernmental organizations supporting the operation of the emerging market economy and civil society.

At the Georgia Donors' Conference held in Brussels on 16-17 June, 2004, the country's leadership presented a report entitled "Georgia: The Government's Strategic Vision and Urgent Financing Priorities in 2004-2006." The conference itself became possible as a result of the latest changes in the republic, whose new legitimate authorities have started an uncompromising struggle against corruption. The outcome of the conference was unexpected for Georgia: it received three times more donor assistance (850 million euro for three years) than it had requested.

The government listed its priorities as follows: governance, rehabilitation of the energy sector, social protection of the population, private sector development, sustainable and regional development. The report emphasizes that, according to the estimates of Transparency International, only six of the 133 countries surveyed in 2003 had a worse corruption perception index than Georgia. Compared with other CIS countries, Georgia scored lower on regulatory quality, rule of law and political stability. Since January 2004, criminal proceedings on charges of corruption have been initiated against 19 high-ranking officials, as a result of which the state has recovered \$23.4 million. The latest public opinion polls show that, owing to such measures, public confidence in the authorities today is three times as high as it was before the revolution. The government believes that the level of civil society participation in anticorruption activities will markedly increase, because all these measures are to be widely discussed in advance. It is planned to separate the powers and to determine the strategies of various law enforcement agencies in their fight against corruption. Steps are to be taken to introduce new criminal procedures that would ensure equal rights for all defendants and prosecutors. Investigative procedures in corruption cases are to be simplified, the role of legislative bodies in the fight against corruption is to be enhanced, national legislation in this area is to be harmonized with EU documents, and the law enforcement agencies themselves are to be modernized.

In the field of administrative reform, the authorities have launched a long-term program to restructure the civil service, which will make it possible to eliminate all corruption sources. The government is soon to put before parliament a draft package of legal and structural reforms aimed at creating a merit-

based professional civil service, including competitive recruitment. Work is in progress on a code of ethics for public servants. A salary reform is already underway, and methods of providing new employment for former public servants are being developed.

As regards fiscal and public finance reform, it is planned to simplify tax legislation, with a considerable reduction in the overall number of payments. There will be seven basic taxes: VAT, personal income tax, corporate income tax, excise tax, property tax, social tax and land tax. The tax reform is to be continued, notably by improving customs administration and by creating a single customs information system, including a border service (since Georgia is a transit country, it is necessary to rule out the possibility of customs clearance of import goods as transit goods not liable to tax). In the immediate perspective, it is planned to develop a program for random sampling and auditing of taxpayers, to markedly improve the organizational and material status of the financial police, to link the budget process even closer to the Economic Development and Poverty Reduction Program (EDPRP), to increase transparency in budget planning and spending, to reform the treasury, and to implement international accounting standards.

In the energy sector, the tasks for the next three years have been designated as follows: to raise the collection rate for electricity charges by 20%, to reduce transmission losses by 1%, to launch a large-scale public campaign against energy theft by the population (the authorities are even considering the possibility of criminal penalties for such actions), and to improve the financial monitoring of energy enterprises. A long-term investment program is to be drawn up by April 2005.

In the field of social protection of the population, the main tasks are to reduce poverty under the EDPRP program and to improve health care. With this aim in view, it is planned to tighten control of the health care system, restructure hospital and primary health care services, improve the targeting of medical assistance to the poorest strata of the population and to rural areas, and enhance maternal and child care. It is also planned to rationalize the pension and social security systems, raise pensions, set up a system for monitoring poverty indicators, and strengthen the targeting of social assistance benefits.

In order to promote the development of the private sector, the government intends to simplify the rules of company registration, acquisition of building permits, tax and customs administration, and product standardization and certification. The general purpose of these measures is to reduce the costs of doing business. It is also planned to improve the VAT refund system, introduce new customs legislation based on an anti-smuggling strategy, and take measures to enhance banking supervision.

In the sphere of sustainable and regional development, there are plans to give agricultural producers greater access to credit and insurance, create conditions for upgrading the rural infrastructure, increase agrobiodiversity, and introduce standardization, certification and quality control systems for agricultural products.

The main tasks in the field of trade and transport include a removal of procedural obstacles to transit of goods through the country's territory, a reduction in transportation costs, and creation of favorable conditions for trade and investment.

In the sphere of infrastructure, the government is planning to transfer the Road Fund to the Finance Ministry, to restructure railroads and ports with the adoption of modern management methods, to restructure and privatize the water supply and sewage system, to develop a social housing program and create conditions for public-private partnerships in housing construction, and to rationalize the urban development strategy.

Finally, it is necessary to link environmental protection and management measures to socioeconomic development plans, to work out the economic and institutional principles for protecting the country's coastal zone, and to minimize the environmental impact of such key projects as the development of sea ports, tourism and hydraulic power construction.

ETHNIC RELATIONS AND POPULATION MIGRATION

GEORGIA'S AZERBAIJANIS: PROBLEMS OF CIVILIAN INTEGRATION

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Georgia is a polyethnic country; according to the 2002 population census, 16 percent of its population belongs to ethnic groups other than Georgian. Azerbaijanis are the most numerous among them; they live mainly in compact groups and have nothing to do with Georgia's public and

political developments, which makes it hard to integrate them into Georgian society. The velvet revolution of November 2003 brought to power new leaders who have already launched radical reforms. So far, there have been no visible changes in the civil integration of ethnic minorities.

Migration and Distribution

In Georgia, Azerbaijanis mainly live in the historical-geographical province of Kvemo Kartli in the southwest corner, in Kakheti and Shida Kartli (in the east), as well as in Tbilisi and Rustavi. The majority of them are Shi'a Muslims, though there are Sunnis as well. Driven by military and political circumstances, their ancestors came from Persia and Turkey in the late feudal period with the aim of settling down in the southeastern provinces of Georgia. In the 19th and 20th centuries, the number of Azeri migrants was much smaller than of other ethnic groups. In the latter half of the 20th century, their number started to grow at a fast pace,¹ until finally they outnumbered all the other ethnic groups that had moved to Georgia.² In Soviet times, the birthrate among the Azerbaijanis was one of the highest: while in 1989 there

¹ While in 1959 there were 153,600 Azerbaijanis (3.8 percent of the total population) living in the republic, by 1979 there were 255,700 (5.1 percent); by 1989 their number reached 307,600 (5.7 percent) (see: *State Department for Statistics of Georgia. Statistical Yearbook of Georgia*, 2001, pp. 37-38, in Georgian).

² See: V. Djaoshvili, *Population of Georgia in the 18th-20th Centuries*, Tbilisi, 1984, pp. 231-232 (in Georgian).

were 16 newborns per 1,000 Georgians, the figure for Azerbaijanis was 28 per 1,000. In the 1990s, this factor attracted the close attention of the nationalist forces; the republican media carried articles expressing displeasure with the rapid natural numerical growth of Azerbaijanis.³

Judging by the results of the population census of 2002, the number of Azerbaijanis in Georgia dropped to 284,761, even though their share in the total population increased to 6.5 percent.⁴ According to the All-Union population census of 1989, Azerbaijanis were the third largest ethnic group in Georgia (after the Armenians and Russians). Today, they have moved into first place.⁵ This is especially evident in the Marneuli District of Kvemo Kartli, where Azerbaijanis comprise 83 percent of population; the figures for the other districts of the same province are: Dmanisi, 68 percent; Bolnisi, 66 percent, and Gardabani, 44 percent.⁶

It was in the 1990s that emigration acquired mass proportions: the demand to separate from the Soviet Union was accompanied by nationalist slogans and, in some cases, open or latent oppression of ethnic minorities. At that time, the patriotic rhetoric of politicians often developed into nationalism causing apprehension among the non-Georgian population groups, even though there was no direct danger. People left out of fear of an uncertain future and possible persecution. Cases of persecution were registered mainly in Kvemo Kartli. In the context of the nationalist upsurge in Bolnisi and Marneuli, there were clashes between Azerbaijanis and Georgians. There were demands to set up the “autonomy of Borchalo.”⁷ The ethnic conflicts in the autonomous units of Georgia (South Ossetia and Abkhazia) that flared up in the early 1990s taught the authorities to expect similar developments in other regions. The preventive measures in Kvemo Kartli stemmed the open demands for autonomy.⁸

In 1992, Zviad Gamsakhurdia was deposed; Eduard Shevardnadze, who replaced him, abandoned the nationalist policies of his predecessor. His friendship with President of Azerbaijan Heydar Aliiev increased the confidence of the local Azerbaijanis in the Georgian authorities; their emigration acquired a social-economic nature. Recently, when Mikhail Saakashvili’s National Movement—Democrats came to power, the fear of nationalism was revived. By way of confirmation of Saakashvili’s anti-Azerbaijani sentiments, people mention an episode that happened during the 2002 local elections when Saakashvili and his supporters described the Azerbaijanis brought from Kvemo Kartli to support Shevardnadze as “pitiful people.”⁹

Later, in January 2004, during his visit to Baku as the president of Georgia, Mikhail Saakashvili described the Azerbaijanis living in Georgia as “his country’s national treasure.” Part of former confidence was restored, yet there are still many Azerbaijanis who continue to nurture fears and think about emigration.

Problems of Education

The local Azerbaijanis can study in secondary schools in their native tongue—there is no discrimination in this respect. Quite often, however, it is said that these school may be closed. For example, Alibaba

³ See: A. Totadze, “National Composition of the Population of Georgia,” *Eri*, No. 22, 22 May, 1991 (in Georgian).

⁴ Azerbaijanis in Georgia often complain that the official figures are deliberately understated because allegedly the state does not want the ethnic minorities acquiring the land they are living on. In the 1990s, when nationalism was very strong in Georgia, it was generally believed that given the high birthrate among the Azerbaijanis they might ask for large tracts of land; as a result certain areas would be owned by ethnic groups other than Georgian. According to the local Azerbaijanis, their numerical strength is no more than 400,000.

⁵ This was mainly caused by the outflow of Armenians and Russians from the republic. Some of the local Azerbaijanis also emigrated, but their number, as already mentioned, is supported by a relatively high birthrate compared with other ethnic groups. According to the 2002 population census, there are 284,761 (6.5 percent) Azerbaijanis in Georgia; 248,929 (5.7 percent) Armenians; 67,671 (1.5 percent) Russians (see: *State Department for Statistics of Georgia. Results of the First National, General Population Census of 2002*, Vol. 1, Tbilisi, 2003, p. 110, in Georgian). According to the 1989 population census, Armenians were the largest group—37,200 (8.1 percent), then came Russians 341,200 (6.3 percent), while Azerbaijanis came third, 307,600 (5.6 percent) (see: *State Department for Statistics of Georgia. Statistical...*, pp. 37-38).

⁶ See: *State Department for Statistics of Georgia. Results...*, pp. 113-116.

⁷ Sometimes, Azerbaijanis call Kvemo Kartli Borchalo; the name is derived from the Turkmenian tribe of Borchalu that settled in the Debedskoe Gorge in the 17th century.

⁸ The autonomy of Borchalo was first mentioned in Kvemo Kartli in the late 1980s when a certain amount of ethnic tension appeared. It was the nationalist-minded groups that first spoke of autonomy; the people refused to support them. When the commotion died down, there were no open talks about the autonomy. Those who do raise the issue risk arousing the displeasure of the locals; they are regarded as provocateurs.

⁹ *Rezonansi*, No. 135, 21 May, 2002 (in Georgian).

Askerov, chairman of Heyrat, an organization that represents Georgia's estimated 500,000-strong Azerbaijani minority, told the Caucasus press on 6 April that the Georgian authorities are planning to deprive Azerbaijani schools of state funding in the wake of an allegation by regional Governor Soso Mazmishvili that they provide instruction in Islamic fundamentalism.¹⁰ It should be admitted that the number of schools with teaching in other than Georgian tongues is diminishing mainly for lack of pupils. In 1996, there were 165 Azerbaijani schools in Georgia, in 2003, 8 thousand fewer students attended 164 Azerbaijani schools.¹¹

In anticipation of their children's future in Russia, many families prefer Russian schools; recently Georgian schools have also received their attention. However, devout Muslim families avoid Georgian schools because the religious lessons there are mainly devoted to Christianity.¹²

Ignorance of the State Tongue as the Main Obstacle to Integration

The Azerbaijanis living in the capital and some other regions of Georgia are more or less integrated into Georgian society and know the state tongue to a certain extent. In Kvemo Kartli practically nobody knows Georgian.

In Soviet times, Russian was the language used by different ethnic groups when speaking among themselves; some of the local Azerbaijanis studied in Russian schools because in the Soviet Union good command of Russian opened the doors of higher educational establishments and promised good careers. The Russian language gradually gave way to Georgian in the social and political spheres when the Soviet Union fell apart. Azerbaijanis have found themselves in a new situation and outside the stream of political events.

Significantly, the Azeri youth in Kvemo Kartli has recently opted for the native tongue as the main spoken language, which makes it very hard to teach Georgian to the local Azeri population. Only 120 people chose to attend the Georgian language courses for civil servants organized by the State Language Chamber. The money paid under a special program to the teachers of Georgian in non-Georgian school proved feeble inducement.¹³ In addition, the local people complain that Georgian is poorly taught in the local schools.¹⁴

Because of their ignorance of Georgian, the Azerbaijanis of Kvemo Kartli are living in an information vacuum.¹⁵ They receive no information in their native tongue either.¹⁶ For technical reasons, the Azerbaijani service of State Radio has been unable to broadcast its programs since 2000; the *Gurjistan* newspaper published in Azerbaijanian and party funded by the state is not popular among the local people. For this reason they know nothing about what is going on in the rest of the country; they learn everything from Azeri and Russian TV channels.¹⁷ Bad command of Georgian forces the local authorities to use Russian in official documents as it was during Soviet times. It should be said that even though Geor-

¹⁰ See: L. Fuller, "Azerbaijani Schools in Georgia Threatened with Closure," *RFL/RL Newslines*, Vol. 8, No. 68, 13 April, 2004, Part I.

¹¹ Information supplied by the Ministry of Education of Georgia about the non-Georgian schools functioning in Georgia in the 2003/2004 academic year.

¹² For this reason the new state flag of Georgia with five red crosses against a white background adopted after the revolution and obviously connected with Christianity caused certain friction. Later, Azerbaijanis did not protest about it (see: L. Fuller, R. Giragosian, "Georgian Leadership Woos Armenian, Azerbaijani Minorities," *RFE/RL Newslines*, Vol. 8, No. 25, February 2004, Part I, 9).

¹³ See: Z. Mikatadze, "The Linguistic Problem in Kvemo Kartli Threatens the Country's Future," *Rezonansi*, No. 165, 21 June, 2004.

¹⁴ See: Z. Baazov, "Georgian Azeris Locked Out by Language," *CRS*, No. 145, 5 September, 2002.

¹⁵ The story widely known among the local people says that during the 2000 presidential elections in Georgia, the Azerbaijanis were looking for the name of Azerbaijani President Heydar Aliiev in their ballot papers.

¹⁶ It was only after the revolution that the local people started receiving 15-minute long broadcasts in their native tongue.

¹⁷ See: Z. Agaev, "Georgia's Azeris Want Media in Their Language," *Baku Sun*, Vol. 6, No. 13, 11-17 April, 2003.

gian as the state tongue should be used for the document flow across the country, in many places Russian or languages of other ethnic minorities are used.

Azerbaijanis find discussions of the draft law on the state tongue important. For certain reasons they believe that today knowledge of the state tongue should not be made obligatory for all citizens.¹⁸ They are also convinced that civil servants should not be obligated to know the state tongue. If a provision about obligatory knowledge of the state tongue is approved as part of the law, say Azerbaijanis, it will be regarded as a discriminatory measure against them.¹⁹ These convictions are shared in all regions with compact non-Georgian settlements where the knowledge of the state tongue is poor.

Economic Problems

The socioeconomic situation in Kvemo Kartli is very similar to that in other Georgian regions: communication means are falling apart; the majority of the local enterprises are idling; the irrigation systems are either too old or ruined. The local population lives by producing agricultural products, so the irrigation systems are especially important. The province feeds itself and sells the surplus outside the region. For many years corruption hampered this type of economic activity: it was especially evident on the highway that connected the region with the capital. The new authorities managed to partly curb it.

Small business is another source of income among Azerbaijanis. For many years they made a living by smuggling. Azerbaijanis bring agricultural products and Turkish and Azerbaijani consumer and industrial goods to Georgia. The shuttle traders crossed the border illegally through the Krasny Most (Red Bridge) checkpoint: thus they avoided rather high import taxes and satisfied the civil servants, who got rich by encouraging smuggling.²⁰ As soon as contradictions between the mainly Georgian civil servants and Azeri traders arose, they immediately acquired ethnic hues and were interpreted as discrimination of Azerbaijanis.²¹ Before the revolution, fighting corruption at checkpoints and smuggling was a mere formality.

The revolutionary leaders began an anti-corruption campaign at the checkpoints in earnest; the corresponding state structures are working hard to stem smuggling inside the country; several of the Azeri shuttle traders caught smuggling were detained.²² This naturally caused displeasure in the Azeri diaspora and was described as discrimination. The sudden changes in lifestyle enjoyed by a considerable number of the local people for many years caused economic problems. Since the authorities failed to offer alternative (read: legal) employment, mounting discontent among the local Azerbaijanis and destabilization in Kvemo Kartli were bound to follow.

The local people had pinned their hopes for a better economic and social future on the Baku-Tbilisi-Ceyhan pipeline; it turned out, however, that they were given no part in the project, apart from unskilled and low-paid manual work on a very limited scale. According to a Heyrat spokesman, there are only 30 Azerbaijanis among the 1,960 employed in the project.²³

Distribution of Arable Land

I have already written that Azerbaijanis are mainly village dwellers and are engaged in agriculture, therefore the land reform started in the 1990s directly affects them. According to the opinion shared by

¹⁸ Speech by Suleiman Suleimanov, Chairman of the Union of Azerbaijanis of Georgia, at the Conference "Georgia is a Multinational State." Tbilisi, 4-5 March, 2002, p. 19.

¹⁹ See: Z. Baazov, op. cit.

²⁰ See: L. Iremashvili, "Georgia's Red Bridge Ordeal," *Institute for War and Peace Reporting (IWPR), Caucasus Reporting Service*, No. 147, 20 September, 2002.

²¹ See: Z. Kechakmadze, "The Situation between the Non-Georgian Population and Georgian Border Guards in the Marneuli District Became Complicated," *Rezonansi*, No. 252, 16 December, 2002.

²² See: F. Ismailzade, "Georgia's Treatment of Azeri Minority Raises Concerns," *Eurasianet Organization*, 23 June, 2004.

²³ See: M. Mamedov, "Azerbaijantsev ne privilekaiut k stroitel'stvu gruzinskogo uchastka BTd," *Zerkalo*, 3 October, 2003.

many in Kvemo Kartli, the state is deliberately trying to deprive them of arable land in this region. Azerbaijanis live in great numbers along the state border while the 21 km wide border zone has been made a special zone occupied by unprofitable military agricultural enterprises. According to the local people, however, this land is perfectly suited for tilling. Since the law bans privatization of this land, the local people believe that the zones were set up to deprive them of their land.²⁴

At the initial stage of the land reform, the local people could not obtain reliable information because they did not know Georgian; individuals and private firms exploited their ignorance to privatize vast tracts of the best land and rent out small plots of it to the local people. After the revolution, people insisted on a just solution to the problem and were promised that this would be done.²⁵ Some of the local Azerbaijanis believe that the promise remained unfulfilled because most of the land in the region was rented out to Georgians, while much smaller areas were distributed among the Azerbaijanis.²⁶ They insist that they should stop being treated as “second-grade” citizens; this causes justified discontent among them and interferes with their integration into Georgian society.

Involvement in Sociopolitical Life

There are practically no non-Georgians in the central power structures, partly because of their inadequate knowledge of Georgian, and partly because ethnic minorities are deliberately kept away from high posts.²⁷ Even in Kvemo Kartli there are few Azerbaijanis among civil servants: the high posts in the local administrations and the judicial and law enforcement structures are mainly filled by Georgians; this is true even of lower posts in the state structures. This adds ethnic overtones to all contradictions between the state structures and the local Azeri community.

As a result of the 2002 local elections, Azerbaijanis have practically no representatives in town administrations in three out of the four predominantly Azeri Kvemo Kartli districts (Gardabani, Bolnisi, Dmanisi); they comprise an absolute majority only in the Marneuli administration of the same province.²⁸ This cannot be explained by linguistic problems or latent discrimination alone. The Azerbaijanis in Georgia prefer to keep away from politics and concentrate on economic and social problems. In the Javakheti District, for example, with a predominantly Armenian population, Armenians dominate in the local administrations; this is explained by their involvement in local politics.

In the republic's highest legislature, the number of Azeri deputies dropped compared with the previous convocation. (In the 1999-2003 parliament they were elected by the list of the pro-presidential Union of the Citizens of Georgia.) Their bad command of Georgian did not allow them to actively participate in legislative activities. Their presence on the pro-presidential list indicates their loyalty to the previous leadership.

Only three Azerbaijanis were elected to the parliament in the early 2004 elections. The local Azerbaijanis are obviously displeased. According to former deputy Izumrud Kurbanov, there are only three Azerbaijanis in the parliament and five Armenians, while the percentage of Azerbaijanis in Georgia is larger than that of Armenians.²⁹

Political passivity is not the only factor behind the small number of Azeri deputies in the elected structures: the specific nature of the local election campaigns is also to blame. Since the 1990s election

²⁴ See: *Azerbaijanskaia obshchina v Gruzii. Etnokonfessional'nye gruppy i problemy grazhdanskoy integratsii v Gruzii*, Kavkazskiy institut mira, demokratii i razvitiia, Tbilisi, 2002, p. 17; see also: A. Stepanian, Z. Khalilov, “Polozhenie etnicheskikh men'shinstv v gruzinskom obshchestve,” *Oдно obshchestvo, mnogo etnosov—etnicheskoe mnogoobrazie i grazhdanskaia integratsia v Gruzii*, Kavkazskiy institut mira, demokratii i razvitiia, Tbilisi, 2003, p. 101.

²⁵ See: M. Verdoshvili, “People of Kvemo Kartli Demand Land,” *Dilis gazeti*, No. 68, 23 March, 2004 (in Georgian).

²⁶ See: *AzerNews*, 3 June, 2004.

²⁷ Members of national minorities frequently complain that it is latent discrimination that keeps them away from civil service.

²⁸ For more detail about the 2002 local elections in Kvemo Kartli, see: *Handbook on the 2002 Local Elections*, National-Democratic Institute, Tbilisi, 2003, pp. 155-172 (in Georgian).

²⁹ See: *AzerNews*, 3 June, 2004.

results in Kvemo Kartli were determined mainly by the central and local authorities rather than the voters. As a result, President Shevardnadze and political organizations loyal to him gathered nearly 100 percent of the votes.³⁰ The opposition parties had no chance there. The leaders of Azerbaijan, who reacted badly to the protests against the then Georgian president, called on the local people to support Shevardnadze.³¹

It was during the November 2003 election campaign that the question of Azeri participation became even more acute. It was at that time the political opposition finally reached this province with its slogans. On 26 September, Mikhail Saakashvili's National Movement opened the election campaign in the Bolnisi District, and the opposition and the local powers clashed in the village of Talaveri.³² Even before the elections, the local authorities hurled accusations at the opposition leaders: it was said, in particular, that they were not pure Georgians. A. Askerov, leader of the Heyrat Party and deputy to the parliament, himself an Azerbaijani, insisted that Mikhail Saakashvili, one of the leaders of the opposition National Movement party, was known among the local Azerbaijanis as a radical nationalist and pro-Armenian politician.³³ The local Azerbaijanis especially disapproved of Kamal Muradkhanov, an Azerbaijani who joined the opposition party. In the eyes of the common people he betrayed his nation.³⁴

As soon as the opposition came to power, people changed their attitude toward it. On the eve of the early presidential elections, Mikhail Saakashvili met members of the Azeri diaspora and asked for support. In Kvemo Kartli he won the absolute majority of votes.³⁵ The province supported Saakashvili's election bloc, National Movement—Democrats, with 76 percent of the votes in the early parliamentary elections of 28 March, 2004.³⁶ When in power, Shevardnadze won a similar share of the votes. The local Azerbaijanis themselves explained that the far from simple relations between the largest ethnic minority and the central authorities were behind their loyalty. They said that they feared the opposition could change its opinion and forget about them, so they preferred to support the central authorities.³⁷

Two Names for One Village

Local toponyms are very important for the Azerbaijanis of the Bolnisi District of Kvemo Kartli. Early in the 1990s, under nationalist pressure, the Azerbaijani names of all villages were replaced with Georgian ones. Those who represented Shevardnadze in the province were convinced that the 35 changed names of Azerbaijani villages (this happened in 1993) never bothered the local people.³⁸

Today, many villages and rivers have two names³⁹: an official (Georgian) and an unofficial (Azerbaijani) used by the local people. This, naturally, causes problems. The locals are convinced that in this way the central authorities are trying to deprive them of their historical memory, which cannot but hamper their further integration.

³⁰ Even though under Shevardnadze the social-economic situation of the local Azerbaijanis did not improve, he had the support of these people, who remembered Gamsakhurdia and the nationalist organizations only too well. Friendship between Shevardnadze and Aliiev, who was highly respected by the local people, also played its role.

³¹ To help Shevardnadze win, the leaders of Azerbaijan even sent their close relatives to Georgia. On the eve of the parliamentary elections of 2 November, 2003, Heydar Aliiev's brother came to Kvemo Kartli to support Shevardnadze (see: Z. Kechakmadze, "Aliiev's Brother Helps Georgian Authorities on the Eve of Elections," *Rezonansi*, No. 272, 7 October, 2003).

³² See: T. Mchedlishvili, "The Most Dangerous Scenario of the Election Campaign," *24 Saati*, No. 257, 27 September, 2003 (in Georgian); L. Nuri, "Osobennosti gruzinskoy izbiratel'noy kampanii," *Zerkalo*, 2 October, 2003.

³³ See: E. Alekperov, "My podderzhivaem Eduarda Shevardnadze," *Ekho*, No. 189, 3 October, 2003.

³⁴ See: M. Mamedov, op. cit.

³⁵ For detailed information about the results of the early parliamentary and presidential elections visit the website of the Central Election Commission of Georgia [www.cec.gov.ge].

³⁶ See: M. Miri, "Saakashvili rasschityvaet na podderzhku azerbaijantsev," *Zerkalo*, 15 December, 2003.

³⁷ See: T. Lobzhanidze, "Georgia: Azerbaijanis opt for Saakashvili," *IWPR's Caucasus Reporting Service*, No. 225, 1 April, 2004.

³⁸ See: M. Bagirov, "Aktzii protesta azerbaijantsev v Gruzii spravedlivy," *Ekho*, No. 196, 14 October, 2003.

³⁹ For example, the village that bears the Georgian name of Talaveri is known as Fakhralo among the Azerbaijanis; the Georgian Mamkhuti-Sarachlo (Savaneti Imirasan) is called Nakhiduri-Arakhlo.

C o n c l u s i o n

The above shows that the largest ethnic minority of Georgia has many serious problems which interfere with its civil integration. Their command of the state language is poor, therefore, unable to receive information, they are left by the wayside of public and political activities. The state should help them master the state language.

It is hard for them to get employed by state structures. Any disagreement between Azerbaijanis and a state structure staffed with Georgians acquires ethnic hues and is interpreted as discrimination. If educated Azerbaijanis were invited to participate in the state structures, any disagreement would immediately be deprived of its ethnic overtones and would help the Azerbaijanis to integrate into society.

Azerbaijanis mostly work in agriculture and are very much affected by all the problems relating to land ownership. Just distribution of land and even minimal support of these hard-working people by the state (or at least its non-interference) would transform them into a positive force and weaken the factors isolating the Azerbaijanis from the public and political activities of the Georgian state.

THE MIGRATION SITUATION IN KAZAKHSTAN

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International migration of the population today is a multifaceted phenomenon which is having an impact on all aspects of social development. Regulation of this phenomenon is a specific area of government social policy carried out on the basis of administrative-legal, organizational-economic, informational, and other measures. During the course of integration development and universal globalization, migration of the population on a world scale is playing an important role in cooperation among the entities of international relations. Nevertheless, the existing control mechanisms are failing to deal with the growing migration flows.

As a member of the world community and by virtue of its geographic location, our republic is actively participating in migration and in resolving the problems associated with it. For example, in February 2000, the government created an interdepart-

mental working group for drawing up and implementing migration policy. It defines the priority areas in cooperation with international organizations with regards to migration: registration of internal immigration and departure of the population beyond the country, registration of foreigners, integration of ethnic Kazakhs, border control, the prevention of illegal migration and movement of people, their exploitation, and so on. What is more, this group has drawn up a conception and government action plan in this area for 2001-2010, defining in particular the priorities for resolving demographic and migration problems and the mechanisms for carrying them out in the mid term (2001-2005) and long term (2005-2010).

In the mid term, the following main tasks must be resolved: creating conditions to reduce emigration, improving the negative balance and integration in foreign migration, helping former compatri-

ots to return home, rendering *oralmans* (repatriates) comprehensive assistance to settle down and adapt to their new place of residence, and improving the migration control system and legislation in this area.

The gradual upswing in the republic's economy is helping to significantly reduce the negative migration balance (it decreased from 203,000 in 1998 to 9,100 in 2003). The growing economic opportunities are promoting a rise in the entry quota of oralmans with each passing year. For 2004 and 2005 it constitutes 10,000 and 15,000 families, respectively, which exceeds the 2000 level by 20-30-fold. In order to help them integrate into local life, amendments have been made to the laws on Citizenship and on Migration of the Population, army service has been deferred for three years, the children of oralmans are offered special courses to prepare them for university, and assistance is rendered in finding jobs.

The main tasks in the long term (2005-2010) are the following: controlling internal migration from the viewpoint of the country's economic development, regulating foreign migration aimed at attaining a positive migration balance, and gradually moving some of the population from unfavorable, underdeveloped regions to economically favorable areas, that is, from the south of the republic to the north.

Since the republic gained its independence, a total of more than 3.5 million people have changed their place of residence. This has had the greatest impact on the agrarian sector. In order to stimulate it and create favorable living conditions in the villages, a state development program for the republic's agricultural regions for 2004-2010 has been adopted. Based on its implementation tasks, the Migration and Demography Agency has drawn up a draft Law on Making Amendments and Addenda to the Law on Migration of the Population with respect to regulating migration of the rural population. What is more, internal migration is caused by the departure of people from small and medium cities, which was due to the crisis in their economic mainstay (main enterprises), including the processing complexes, as well as to the unfavorable ecological situation in the zones of the Semipalatinsk nuclear testing ground and the Aral area. The depressed state of the economy in such small and medium towns as Kentau, Zhanatas, Karatau, Saran, Abai, Shakhtinsk, Arkalyk, and so on, caused their

population to decrease by almost 50%. Another factor is transfer of the capital from Almaty to Astana. At one time, the former capital stemmed the natural migration flows from the labor-surplus southern regions to the industrially developed northern provinces.

As the country undergoes democratization and reform, the political factor has been having a stronger impact on the demographic and migration situation. The intergovernmental agreements signed by the republic's leadership, the opening up of borders, and unrestricted entry and exit created conditions for a significant number of people to emigrate to their historical homeland. By and large they headed for the CIS republics (70-75%), mainly to the Russian Federation (90-92% of this number). Up to 98% of those who emigrated to the "far abroad" went to Germany. People also emigrated to Israel, the U.S., Canada, and other countries. Most of those who left Kazakhstan are former residents of the Kostanai, Karaganda, and Pavlodar regions. Russians, at almost 60%, predominate in the ethnic composition of those emigrating, with 20% Germans, 10% Ukrainians, and 2% Tatars and Belorussians.

Some of the emigrants are compensated for by immigration into our country, mainly repatriation of ethnic Kazakhs to their historical homeland from Uzbekistan, Turkmenistan, Russia, Kyrgyzstan, Mongolia, China, and Iran, that is, from countries where a large part of the Kazakh diaspora lives. But not only Kazakhs are coming to the republic (they constitute 50-55% of the inflow), but also Russians—24-27%, and Ukrainians, Tatars, and Uzbeks—2-3% each. Between 1992 and 2003, 79,200 families, or 307,400 oralmans, resettled in Kazakhstan, mainly in the Almaty (38,700), Zhambyl (25,500), Mangistau (47,700), and South Kazakhstan regions (96,100 people).

By the end of the 1990s, the migration furor had died down, and during the past 2-3 years, emigration has stabilized, and even trends toward a gradual improvement in the negative migration balance have been designated. Along with the improvement in the natural increment indices, this is naturally promoting an increase in the size of the country's population.

According to the data on 1 January, 2004, there are 14,953,900 people living in the republic. Compared with the 2003 indices, the number increased by 91,400, although this is still lower than

the 1989 level (by 1,245,200 people), when it amounted to 16,199,100 people. During these years, more than 235,200 oralmans adopted Kazakhstan citizenship. Most of them have managed to adapt to the republic's social life, although there are still problems in providing them with housing and setting them up with jobs. In order to implement the Departmental Migration Policy Program for 2001-2010 in all the territorial migration and demography departments, corresponding regional programs

have been developed, and an action plan for carrying them out has been drawn up. In each region, "Oralman Days" are organized annually, festivals to celebrate their special creative talents, authors' evenings, and sports contests. The achievements reached during the year are summed up, problems raised, and suggestions made for resolving them, which is helping these citizens to become acclimatized as quickly as possible, and promoting their participation in the country's sociopolitical life.

The Problem of Refugees, Illegal Migrants, and Human Trafficking

Refugee registration and control began in the republic's migration service system in 1998, after Kazakhstan joined the 1951 Convention relating to the Status of Refugees and the 1967 Protocol relating to the Status of Refugees. Since then, approximately 2,000 people from 11 countries of the world, 1,093 of them subsequently recognized as refugees, have applied to the regional migration departments for this status.

Most foreigners apply to the migration departments after they have been living in Kazakhstan for 2-4 years (or more), that is, only after expiry of their previous residency permit. Most people coming from abroad legalize their residence in the country by submitting an application or statement to the judicial bodies, and other possible ways of extending their stay.

In 1999, a repatriation program of Tajik refugees was launched with the participation of the U.N. High Commissioner for Refugees (UNHCR), as well as with the consent of the Tajikistan government and migration services. Within the framework of this program, 2,359 people returned to their homeland between 1999 and 2002. But only 638 were sent to Tajikistan in 2002. (In 2003, no one was sent.) Nevertheless, the regional services of the Migration and Demography Agency clarified that after a certain amount of time, those sent to Tajikistan again turned up in our state. An analysis conducted by the Agency's specialists identified the reasons for this "migration." The main one is the instable situation in Afghanistan and adjacent regions of neighboring states.

The Migration and Demography Agency is also cooperating with the UNHCR in order to send refugees in Kazakhstan back to their homeland or to third countries. In 2003, the departure of more than 70 Afghan citizens was organized with the financial and organizational help of this organization, and the question was reviewed of providing Afghans living in our republic for extended periods with permanent residence permits. According to the Agency's regional bodies, as of 2003, there were 662 registered refugees in the country. This status is granted for one year, then reviewed (it is either extended or its extension is denied). Those who are denied must voluntarily leave Kazakhstan, otherwise they are forcefully deported from its territory. By the way, all those who received refugee status came from Afghanistan. Two hundred and sixty-two of them are children under 16, 134 are women, 248 are able-bodied men, 121 have higher and incomplete higher education, and 43 have secondary special education, almost 88% live in Almaty, and the rest in the South Kazakhstan Region.

With the assistance of the Agency's regional departments and the direct participation of the UNHCR and Red Crescent Society, more than 600 refugees have received financial aid during these years (totally almost \$25,000). More than 200 families of refugees received money to pay for housing (\$11,000) and they enjoyed free medical services (amounting to approximately \$9,000). The republic's children's fund allotted them humanitarian aid totaling more than \$29,000: food, clothing, school

accessories, and personal hygiene items. What is more, under the Newborn Children program, each family with infants received two sets of linen and other basic necessities.

As of today, the legal status of persons applying for refugee status (and officially recognized as such) is regulated by the Law on Migration of the Population and a presidential decree (which has the force of the law) on the Legal Status of Foreign Citizens in the Republic of Kazakhstan of 19 June, 1995 (No. 2337). Registration and review of refugee applications is carried out on the basis of corresponding instructions drawn up by the Agency in order to execute the Law on Migration of the Population.

We have already noted that as a full-fledged member of the world community, as well as in keeping with the migration policy formulated and being carried out in our state, Kazakhstan is taking active part in refugee affairs. This is the logical continuation of the policy chosen by the republic to uphold the goals and principles enforced by the U.N. Charter and the Universal Declaration of Human Rights. For example, on 15 December, 1998, a Law on the Republic of Kazakhstan Joining the Convention relating to the Status of Refugees and the Protocol relating to the Status of Refugees was adopted in the country. In this respect, the need arose for bringing national legislation into harmony with international legal norms in this sphere.

Illegal migration and the presence of refugees are caused by the geopolitical location of our republic, the transparency of its borders with neighboring CIS countries, the absence of a unified and coordinated policy in these countries, and the unsophisticated state of their legislative base. Illegal migrants who travel through the Commonwealth republics to Western Europe are arousing particular alarm. In recent years, this phenomenon has been gaining momentum. For example, whereas five years ago, approximately 60,000 foreigners arrived in Kazakhstan for various reasons, in 2003 alone, their numbers rose to more than 800,000.

Control of illegal migration has been reviewed repeatedly by the Council for Legal Policy under the Head of Government and by the Coordination Council of law enforcement bodies. The government drew up a regulatory document on Some Measures to Strengthen Migration Control. In particular, it sets forth the length of time citizens may reside in Kazakhstan from countries with which there is a non-visa entry and residence agreement.

In recent years, the Interior Ministry has exerted immense efforts to raise the efficiency of illegal migration control, and prevent and eliminate instances of illegal transit of foreign citizens through Kazakhstan, as well as their settlement in the country. Measures have been adopted to improve the regulatory and legal framework. For example, a special headquarters has been set up for carrying out more efficient prevention and elimination of illegal migration in the most vulnerable regions directly on the border with Kyrgyzstan, which operates during the summer months, that is, when the situation in this area becomes particularly aggravated. Thanks to the increase in control and fortification of the country's southern borders, the penetration of illegal migrants into the republic has declined. For example, whereas in 2001 the Russian Federal Border Service turned back more than 850 illegal migrants who arrived in the Russian Federation from Kazakhstan, in 2002, there were only 38 such cases, and in 2003 no instances occurred.

According to the migration police, there are up to 1,000 illegal migrants in Kazakhstan, in the summer their numbers increase to 5-7,000, mainly due to those violating the border crossing regulations to find seasonal farm work. In 2003, approximately 2 million foreigners traveled through the republic in transit. More than 100,000 of them were brought to administrative account for non-observance of the entry and residence regulations, and 50,000 of them were deported from the country for malicious violation of these regulations. One hundred and fifty-four criminal cases were instigated on instances of illegal migration. The same year, the interior departments prevented 129 attempts at illegal travel through the republic by foreigners, including with the aim of heading for third countries, and during the first quarter of 2004, eight such cases were intercepted.

Human trafficking is the grossest violation of human rights and freedoms. Control over it must be harsh and implacable, since the matter concerns protecting constitutional human rights to life, freedom, and protection of health. Unfortunately, both the recruitment of foreigners for the purpose of exploitation in Kazakhstan and the illegal transportation of our citizens to foreign countries occur. Most Kazakhstan human trafficking victims are young women recruited for sexual exploitation. But cases of the illegal

recruitment and transportation of men are also known (young and middle-aged), who, after ending up in other countries, are forced to live there in inhuman conditions and work as slave labor.

Keeping in mind the above, the country's leadership has taken several measures in recent years aimed at eliminating trafficking in human beings. Efforts to expose, prevent, and eliminate crimes in this area are under the constant control of the republic's state bodies. For this purpose, an interdepartmental commission on combating the illegal export, import, and trafficking in persons has been created in the government.

Kazakhstan is a member state of the U.N. Conventions on the Elimination of All Forms of Discrimination against Women and on the Rights of the Child, as well as of three corresponding conventions of the World Labor Organization. At present, an attempt is being made to join the Convention on the Fight against Trafficking in Persons and the Exploitation of Prostitution by Third Persons. In 2000, our country signed the U.N. Convention against Transnational Organized Crime. In compliance with international obligations, amendments and addenda are being made to national legislation. The conception of legal policy approved by a presidential decree of 20 September 2002 (No. 949) recognizes that particular attention should be paid in Kazakhstan's legal policy to the timely introduction of norms aimed at preventing and eliminating the spread in human trafficking, particularly in women and children.

There are articles in the Criminal Code which set forth punishment sanctions for recruiting people in order to exploit them, trafficking in juveniles, holding people in servitude, forcing people to engage in intercourse and other sexual acts, violating the migration regulations and procedure for hiring workers, and forging documents. What is more, it sets forth punishments for abducting people, recruiting people for prostitution and procuration. In the same context, it should be noted that the Criminal Code sets forth liability for premeditated illegal crossing of the state border, failure to comply with deportment decisions, organizing illegal migration, and repeated violation of the regulations for hiring and using foreign workers in our country, which to a certain extent is also related to the prevention of human trafficking and punishment for participating in it.

In 2003, the republic's migration service carried out more than 200 special operative-investigation measures to expose instances of procuring and recruiting women for prostitution, eighteen of which were in areas bordering on Russia. The same year, eight criminal cases were instigated, including under articles 270 of the Criminal Code (recruitment for prostitution), 271 (the organization and maintenance of brothels for engaging in prostitution and procuration), and 330 (premeditated illegal crossing of the state border). In three of the cases, guilty verdicts have already been issued, three are still in progress, and two have been curtailed. What is more, the work of the law enforcement agencies in this area is being stepped up, as a result of which in the first three months of 2004 alone more than 100 similar crimes have been registered.

An ongoing exchange of information has been established among the corresponding state bodies regarding instances of using migrants who arrive from the "near" and "far" abroad as illegal workers, and instances of recruiting people for prostitution. Interdepartmental coordination has been strengthened among the Tourism and Sports Agency, the Border Service of the National Security Committee, and the Interior Ministry in exchanging information on the illegal transportation of people beyond the republic. Thanks to the efforts of Kazakhstan's diplomatic representative offices abroad, in 2003, 24 of the republic's citizens who fell victim to human trafficking were returned from the United Arab Emirates, Israel, and Rumania.

What is more, based on a corresponding governmental plan, the Prosecutor General's Office and Interior Ministry have drawn up methodological recommendations to expose, intercept, and investigate crimes relating to the trafficking in humans, as well as special measures to prevent and eliminate human trafficking and other crimes in this sphere. The first results of this work can already be seen. For example, in January 2004 at the airport in Almaty an attempt was intercepted to take two of the country's citizens out of the country on forged passports to the United Arab Emirates for exploitation in the sex industry and an investigation is going on to expose the organizers of this channel of trafficking. What is more, during the first three months of this year, a channel for illegally transporting Kazakhstan women from the North Kazakhstan Region through Russia to Israel and Holland for the purpose of prostitution was exposed.

Information is being checked in the Pavlodar Region about a channel for trafficking Kazakhstan women through Russia to Israel, Italy, Germany, and Holland, again for use in the sex industry. It has been established that its organizers are citizens of our country and Russia.

Regional plans are being drawn up at the local level to prevent human trafficking. These measures have already been approved in eight regions, as well as in Astana and Almaty. In particular, the following measures are envisaged: coverage of this activity in the mass media, carrying out a public awareness campaign in educational institutions; improving cooperation between the state bodies and nongovernmental organizations; and drawing up proposals for improving legislation on the recruitment and transportation workers and on the adoption of Kazakhstani children by foreigners. What is more, there are plans to create crisis centers and hotlines for helping the victims of human trafficking, improve control over employment agencies, and modeling, tourist, and marriage agencies to counteract the organization of illegal human trafficking, and strengthen interdepartmental coordination among state bodies in the regions. There are already twenty crisis centers in operation, at which women who are victims of violence can obtain psychological, legal, and premarital assistance. At nine centers they are offered temporary residence (with children).

All of these measures are aimed at creating a civilized and empathetic attitude in society toward the misfortunes of others, as well as reliable social and legal protection not only of Kazakhstan citizens, but also of foreigners.

Common Migration Problems of the Central Asian Countries

The situation that has developed in the Central Asian countries, as well as the continuing beds of tension in neighboring regions have led to an increase in illegal migration, terrorism, arms and drugs smuggling, trafficking in persons, and other forms of organized international crime. All of this is having a growing negative impact on socioeconomic development, stability, and security in each of the Central Asian republics and the region as a whole.

The measures being taken at the national and regional levels to combat illegal migration and other new migration threats have proven insufficient. This is set forth in the Treaty on Joint Action to Combat Terrorism, Political and Religious Extremism, Transnational Organized Crime, and other Threats to Stability and Security signed by Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan in Tashkent on 21 April, 2000, and in the Joint Communiqué drawn up at a meeting of the heads of state of the Central Asian Cooperation Organization in Astana on 27 December, 2002. The first positive experience in this direction is the joint activity by the governments of Kazakhstan, Kyrgyzstan, and Tajikistan to carry out a plan of urgent measures to combat illegal migration, which was signed by the foreign ministers of these countries.

But illegal migration is acquiring increasingly global dimensions, and illegal migrants are making ever active use of the Central Asian countries as transit territories for traveling on to Russia, other European states, and the U.S. and Canada. These countries are adopting tighter immigration and border control measures, which is often leading to a restriction of the rights of the citizens of our region's countries to freedom of movement. In this respect, cooperation must be strengthened with neighboring and other concerned states in order to raise the efficiency of illegal migration control. These efforts should be politically and legally based on the treaties among the Central Asian countries on combating terrorism, the joint communiqué of the heads of the CACO member states, and the provisions of international regulatory and legal acts.

At present, the migration situation and migration policy in the region have the following characteristics.

- First, there are certain differences in the nature of migration movement and the priorities of migration policy among the Central Asian states. Kazakhstan is a transit country for illegal mi-

grants, for admitting ethnic Kazakhs, and for labor migrants, who mainly come from other Central Asian states. The main measures of our republic are aimed at combating illegal migration by stepping up border and immigration control, implementing programs for the repatriation and integration of ethnic Kazakhs, and protecting the domestic labor market. Kyrgyzstan is a transit country for illegal migrants, for admitting ethnic Kyrgyz, and a source of labor migrants. The main priorities of migration policy are aimed at integrating ethnic Kyrgyz and refugees from Tajikistan and regulating foreign labor migration. One of Bishkek's distinguishing features is that along with stepping up measures to combat illegal migration, it is also conducting a liberal visa policy toward the citizens of developed countries and paying greater attention to the protection of refugees' rights, as well as to internal migration. Tajikistan is a country of origin of economic migrants, for the admittance and transit of Afghan refugees, and for the illegal migration of citizens of third countries. Its priorities are regulating foreign labor migration, resolving the problems of Afghan refugees, and forming an efficient system of immigration and border control (the weakest in the region). Uzbekistan and Turkmenistan are countries with tougher immigration and border control regarding the entry and residence of foreign citizens, and they have established visa regulations with other Central Asian countries. Uzbekistan occupies a special position at present in migration issues, it does not participate in regional cooperation, or on a wider international scale either.

- Second, from the viewpoint of regulating migration processes, essentially all the countries in the region have close ties primarily with the Russian Federation, as well as with other neighboring and nearby states—Afghanistan, China, Turkey, Iran, Pakistan, India, and recently also with the countries of the European Union. In this respect, it should be noted that under the conditions of globalization, migration policy should not be drawn up on the geographical principle, it must be aimed at developing cooperation at all levels, sub-regional, regional, and global.
- Third, national interests dominate over regional concerns and state security issues take priority over problems relating to the protection and provision of the rights of migrants and refugees. Despite the measures being taken to develop interstate cooperation, regional aspects, forms, and mechanisms of interstate ties in this area are not fully reflected in migration policy, and the proper cooperation has not been established within the framework of such structures as the CACO, EurAsEC, CIS, and SCO. Admittedly, this is largely due to the shortage of necessary technical and financial resources, which however requires more targeted joint efforts in this area.
- Fourth, the well-known events of 9/11 have had a significant impact on the approach to migration problems and on the situation in Central Asia as a whole.

The main problem, which is extremely aggravated in the countries of the region at present, is illegal migration, and has a double nature: illegal migration of Central Asians within the region and illegal migration of citizens from third countries. Its first aspect is largely related to the search for work. But there is also a high level of illegal labor migration of citizens from the region's republics to Russia, and recently to European countries, as well as to the U.S., Canada, and other developed countries.

The illegal migration of citizens from third countries is posing a serious threat to regional security and stability, which is accompanied by the penetration into the Central Asian states of extremism and terrorism, as well as such negative factors as the trafficking of human beings, drugs, and weapons. In this respect, the Central Asian countries are undertaking measures to strengthen the protection of state borders, stepping up control over travel from one republic of the region to another and over the entry and residence in the country of citizens from third countries, toughening up the current visa regulations with other countries, and adopting measures to prevent the forgery of national passports and visas. But this process is occurring at different rates due to the different capabilities of the states involved to manage the migration situation. Taking this into account, the drawing up and approval of a plan of practical measures to implement the agreement mentioned above envisages: creating an executive body, consultation councils, and specialized working groups to monitor execution of the adopted documents and decisions, as

well as to coordinate regional efforts; forming (on the basis of a tougher national immigration and border control system) a regional system and its working mechanisms, including joint immigration and border control points and border protection; approving a standardized list of countries to which tougher visa regulations, liberal visa regulations, and non-visa regulations apply; drawing up (and introducing everywhere) general instructions on entry, registration, and residence regulations for foreign citizens, primarily from states where illegal migrants originate and drugs are transited.

What is more, a set of documents must be drawn up to regulate the free movement of citizens from Central Asian countries through the territory of other republics in the region; general principles for a refugee protection system developed, and a multilateral agreement on the responsibility of states to review refugee applications entered, as well as bilateral agreements on readmission, including with neighboring states; and a regional system created for training and retraining the personnel of border, migration, and law enforcement agencies regarding immigration and border control, combating illegal migration, religious extremism, terrorism, and other forms of transnational organized crime. This system should also introduce standardized training programs and analytical studies, as well as be tailored to meet the specific needs of each of the region's countries.

The onslaught of illegal migration and trafficking in humans can only be counteracted by the Central Asian countries consolidating their efforts and fighting together to combat an evil that goes radically against their national mentality, creating instead the atmosphere of humanity and empathy much closer to their hearts.

CULTURE AND SOCIETY

UZBEK CINEMA:
A SLOW REVIVAL

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The Soviet Union's collapse not only had an impact on the sociopolitical situation in the former Soviet republics, but also on the state of affairs in science and art, including cinematography. Marked by many common or similar traits, Soviet cinema, as the unity and synthesis of its national components, disintegrated into purely national parts, finally breaking free from Moscow's ideological grasp. This also led to the cinema art (and its parts) of the newly independent states breaking its decades-long ties with the cinematography of other former union republics, primarily Russia. The difficulties experienced by all these countries during the transition to a market economy also took their toll on the national film industry, including in Uzbekistan, the only post-Soviet republic in which local cinematography has centralized financial support. (When a film production and rental market is just forming, it is difficult to overestimate the state's participation in encouraging and supporting this intricate process.)

Specialists and connoisseurs of this type of art have highly praised Uzbek cinema for its professionalism, national uniqueness, and originality. It is indicative that films began being produced here almost as soon as cinematography was invented. For example, a pioneer of Uzbek cinema, Khudoibergan Devanov, made the first documentary film in Khorezm as early as the spring of 1900. As for feature films, the first ones were made in Uzbekistan during the second half of the 1920s almost immediately after the formation of the Uzbek S.S.R., with the help of Russian masters. During the next decade, local teams of directors, cameramen, scriptwriters, and other creative specialists appeared and began their professional activity. The quality of films gradually improved and their number increased. Whereas at the beginning of the 1950s, three feature films were made every year at the Uzbekfilm studio, by the mid-1980s, during the heyday of local cinematography, this number had leaped to twelve. Whereby nearly every year, one of them received a prize at prestigious international film festivals. The documentary film industry was also highly praised in those years, in which well-known director Malik Kaiumov, who won prizes at many festivals, worked. In the mid-1980s, a documentary film by Tashkent documentary film director S. Papazian was awarded the Silver Dove prize at the International Film Festival in Leipzig. Vibrant masters of Uzbek Soviet cinema, such as Sh. Abbasov, A. Khamraev, E. Ishmukhamedov, and M. Abzalov, are well known in the

world of cinematography. A prestigious school for cameramen was also created in the republic, represented by such names as D. Fatkhullin, Kh. Faiziev, A. Pann, M. Krasnianskiy, L. Travitskiy, and M. Penson.

During the ten post-Soviet years from 1991 to 2001, more than 50 feature films were made in the country.¹ A decree by President Islam Karimov of 9 March, 1992 became the organizational base for developing the local film industry, and on 29 April, 1996, the Uzbekkino State Joint-Stock Company was created and a program for reforming national cinematography drawn up. But, as the local press noted at the end of 2002, ten years after the president's decree, no significant changes have occurred, despite the fact that in recent years the state has subsidized all stages of film production. Incidentally, the experience of neighboring Kyrgyzstan shows that it is also possible to get by without government subsidies in this sphere. After producing noteworthy films, Kyrgyz cinematographers attracted the attention of foreign investors, who provided the money to form creative funds for assisting the development of cinematography in Bishkek. Articles in the Uzbek press inform us that the republic's film industry will continue to be financed exclusively by domestic sources in the near future.²

Every year in Uzbekistan, money is allotted from the state budget for making 50 films: six to eight feature films, about 40 documentary, and four children's movies, including cartoons. But in 1997, only one film was made, in 1998, ten, and in 1999 and 2000, four each.³ What is more, the budget envisaged funds for dubbing foreign films in the Uzbek language. A separate program has been drawn up for developing video film production, which is also financially supported by the state. But the underdeveloped production base and shortage of qualified personnel make it impossible to utilize even those funds allotted. For example, in 2002, 120 million sums (approximately \$120,000) were not utilized. This is because it is very difficult to put a new film into production; in particular, the fully bureaucratized system for making a film—from submitting a script application to putting it into production—falls entirely in line with the bad memories of the Soviet experience in the state film industry. Putting scripts into production drags out for long months, and what is more, the green light has to be given from above. And the ridiculously low wages earned by creative specialists makes it impossible to attract high-class professionals for writing high-quality scripts. According to D. Bulgakov, former editor-in-chief at Uzbekfilm, the scriptwriter of a feature-length fiction film receives at best 300 dollars in royalties.⁴ The monthly salary of the director of a feature film is no more than 20-25 dollars.

Due to this and for several other reasons, many well-known directors have left the republic. Such maestros of Uzbek cinema as A. Khamraev and E. Ishmukhamedov, who filmed the serial *Heiress* in Russia, now live and work in Moscow. Torn from their native soil, they are making films which do not have the national flavor inherent in their earlier works that earned Uzbek cinematography its high reputation. The fact that the former strong professional and organizational ties with the film specialist training centers in the U.S.S.R. were destroyed after the republic gained its independence is also very detrimental. At the beginning of the 1990s, the leadership of the Uzbek film industry fell under the influence of the campaign that swept the country of indiscriminate denial of Soviet experience and announced that it was distancing itself from the Russian film specialist training centers, considering them fallacious and falling short of world standards.⁵ Plans for training professionals not only in the West, but also in countries without strong film traditions, for example, Malaysia, were proposed and drawn up.⁶ But these plans have not been carried out yet either. All the current prominent figures in the Uzbek film industry studied at one time in Moscow, in the world-renowned All-Union State Institute of Cinematography (VGIK). Since the beginning of the 1990s, this institute (now the All-Russian) has been inviting a certain number of students from the new post-Soviet states to study at it on a gratuitous basis, which unfortunately Uzbekistan is not taking advantage of: in the past ten years, Tashkent has not sent a single student to study at VGIK. The youngest Uzbek actors, who had serious professional training in Moscow, are now forty years old. Now cinema-

¹ See: *Uzbekiston san'ati* (1991-2001) (Toshkent), 2001, p. 196.

² See: *Pravda Vostoka*, 26 December, 2002.

³ See: *San'at*, No. 1, 2000, p. 40.

⁴ Recording of a conversation with D. Bulgakov, Tashkent, 28 January, 2003.

⁵ *Ibidem*.

⁶ See: *Pravda Vostoka*, 14 August, 2001.

tographers are trained at the Tashkent Institute of the Arts, which does not have a solid material and technical base or experienced professional teachers in the field of cinema art.

The technicians of the local film industry have also been affected by mass migration of the Russian-speaking population, who comprised a significant number of these specialists. The exodus of highly qualified employees from this not very prosperous industry was also caused by a deterioration in the financial status of most of the republic's residents, essentially by a "return to 20-30, and sometimes even 40 years ago."⁷ The production and technical base of cinematography is experiencing a severe crisis. This largely explains why Uzbek films today are being made at an extremely low professional level, and "technically do not withstand any criticism."⁸ It stands to reason that this is preventing domestic films from being promoted in countries with a developed film industry. According to D. Bulgakov, there is only one specialist with the necessary professional training left in the sound department at the Uzbekfilm studio, and there is only one professional film designer, all the rest have moved elsewhere or left the profession. The situation is similar among other specialists: cameramen, film cutters, editors, and so on. As a well-known film critic in the country noted, "professionalism is no longer the main criterion in film production."⁹ What is more, people are joining the film industry leadership who often have nothing to do with this form of art, while those who brought it fame continue to leave. This happened at the only documentary film studio in Uzbekistan, where highly-qualified personnel began to be victimized when the management changed, as a result of which art director Sh. Makhmudov, the most well-known director-cameraman in the country, who made a series of documentary films for national cinematography and won prizes at prestigious international festivals, was fired.

Despite the abundance of names related to the present development stage of the film industry, not many genuine professionals can be mentioned who are still devoted to the art and demonstrate a high level of mastery. The most prominent of them is Iusuf Razykov, a former scriptwriter (and VGIK graduate) who later became a director, as well as Zulfikar Musakov, who also took higher courses in film directing in Moscow. Alas, it is difficult for them to perfect their skills, since, as we have already noted, their older and more experienced colleagues are gradually leaving the industry. Director Shukhrat Abbasov, renowned master (of worldwide fame) who celebrated his 70th birthday in 2003, has essentially stopped filming altogether. He is currently heading the cinema department at the Tashkent Institute of the Arts. "I am a man of the past," he said several years ago after the premiere of his film *Otamdan kolgan dalalar* (Our Fathers' Estates).¹⁰

It is obvious that the main goal of the Uzbek film maker today is to interpret, reveal, and relate in cinema art images the events that have been going on in the country since it gained its independence. There have been many changes, and the main one is that the people have been given a historical opportunity to create their own national state. But the path to acquiring genuine independence is incredibly arduous, only by analyzing and correcting past mistakes is it possible to step confidently forward, which unfortunately is a rare sight in the Uzbek film industry today. For example, Zulfikar Musakov made a few comedies in the best traditions of this genre, combining both fantasy and light mysticism. They are full of kind-heartedness, but have little in common with everyday life. They were all warmly received by the audience. But the encores for each of his new films are explained by the fact that the audience goes to watch "these conformist fairytales"¹¹ for the very reason that they yearn for the life shown on the screen. Similar thoughts are evoked by films such as *Abdullajan*, *The Bomb*, *Mummy Dear*, *The Little Doctor*, and *Divine Boys*, which were made based on contemporary topics and at quite a high professional level. But most of this director's films are situation comedies which have little in common with real life. The audience enjoys because they provide a distraction from harsh reality.

⁷ L.A. Freedman, *Ocherki ekonomicheskogo i sotsial'nogo razvitiia stran Tsentral'noi Azii posle raspada SSSR*, Moscow, 2001, p. 141.

⁸ Recording of conversation with D. Bulgakov.

⁹ Kh. Abul-Kasymova, "Kino i izobrazitel'noe iskusstvo," *San'at*, No. 1, 1999, p. 42.

¹⁰ "Kino va zamon turt soatga singgan asr," *Turkiston*, 26 September, 1998.

¹¹ Recording of conversation with D. Bulgakov.

For example, the picture, *Divine Boys*, had quite a good run, in which Zulfikar Musakov attempted to show the growing gap between the rich and the poor. The film is built on episodes from the life of four Tashkent schoolchildren who belong to different social classes. But instead of serious study of this deep topic, the film is full of sentimentality, and the most important task of creating a “kind-hearted film” did not allow its author to be objective enough.

The Orator, *Angel in Fire*, *A Woman’s World*, *Comrade Boikendjaev*, and *Male Dance* are films which made another popular contemporary director, Iusuf Razykov, famous. But hardly any of them relate to the modern-day world, some of them try to make sense of the recent Soviet past, whereby primarily from nihilistic standpoints, while the others can be said to reflect life beyond time and space. It is worth noting that in a review of one of Iusuf Razykov’s best films, *A Woman’s World*, well-known film expert Khamidulla Akbarov limited himself to the following statements: “...this canvas ... provides rich food for thought about the interrelations between belles-lettres and screen art,” “...not against a background of historical events, but in everyday life, with respect to love, women, and creativity.”¹² An article by film critic Kh. Abul-Kasymova also gives an incoherent description of the film’s contents.¹³

The contemporary theme has a hard time making it onto the screen. In 2002, D. Bulgakov and N. Tulakhojaev wrote a film script reflecting the reality of post-Soviet Uzbekistan. It was based on a true story and told of a surgeon who worked at the clinic of well-known Moscow oncologist, N. Blokhin, defended his doctor’s thesis there, and in the mid-1990s returned to Tashkent. And under conditions that had little in common with those in Moscow, this specialist continued his work, bringing back to life people who just recently were diagnosed as terminally ill, in so doing meeting clear opposition from his colleagues. But the script “got held up” in the departments, where people were guided by political, rather than professional motives, and accused the authors of the fact that the theme of their brainchild was not national enough. But the real reason was that the script spoke openly for the first time about the shortcomings in the country, showed the extremely difficult situation that has developed in the public health system, and opened up real problems which most film-makers avoid. The republic’s mass media, which are inclined to turn a blind eye to any shortcomings of the post-Soviet period and only sing the praises of the new victories, had to nevertheless admit recently that “...the Uzbek film industry has become alienated from the people.”¹⁴

Under present conditions, the appeal of domestic film makers to the nation’s spiritual heritage, to the key aspects of its distant and near history is extremely natural. This is reflected to a certain extent in the films, *Great Emir Timur* (Buiuk Amir Temur), *Imam al-Bukhari*, *Our Fathers’ Estates*, *The Stone Idol* (Tosh sanam), *Sogdiana* (Sugdiena), and *Alpamysh* (Olpamish). Religious films have become a new phenomenon. For example, the TV serial *Lafz* (Word) made by director B. Akhmedov at the Uzbektelefilm studio in 2000. It was based on the hadiths of famous medieval theologian, imam al-Bukhari, who lived and wrote on the territory of modern-day Uzbekistan. The film introduced the synthesis of religious dogmas and everyday life into the practice of national cinema for the first time. As the republic’s press noted, “the screen brings us the thought about the inevitability of atonement not through the language of didactics, but through quite entertaining and moving narration using convincing means of artistic imagery, comprehensibly and subtly.”¹⁵

All the same, despite the noted and other problems, in recent years, Uzbek films have been actively participating in international film reviews and have even been awarded high prizes. For example, *The Orator*, a film by director Iusuf Razykov, received first prize at the Kinoshock Moscow Film Festival of CIS and Baltic Countries in 1999. It was also shown successfully at the International Film Festival in Berlin in 2000 and at a special review organized in Brussels by the Cinema-NOVA film association. This film takes the viewer back to the first years of the Soviet period, takes another look (admittedly, frequently very straightforwardly) at the heritage of the totalitarian regime, its tragic errors, and through the life

¹² *Pravda Vostoka*, 29 February, 2000.

¹³ See: *San’at*, No. 1, 2000, p. 41.

¹⁴ *Pravda Vostoka*, 24 May, 2001.

¹⁵ *Ibid.*, 18 August, 2000.

of a simple peasant shows the futility of accepting other people's ideals. On the other hand, it also leads the viewer to understand that the Soviet era is part of history and deserves to be "...thought of kindly."¹⁶ A film by the same director, *A Woman's World*, created on the basis of a novel of the same name by writer O. Mukhtar, participated in the contest review of the 22nd Moscow International Film Festival in 2000. At that time Uzbekistan was the only CIS state, apart from Russia, allowed to take part in the contest program of this film review. *Fellini*, a film by director N. Abbasov, participated in several festivals, in Warsaw, Calcutta, and Innsbruck (Austria). Whereby in Innsbruck this film won the Grand Prix, and then it was shown on the screens of more than 15 countries of the world.¹⁷

At the International Teleforum of 2000 in Moscow, a documentary film by director V. Iskhakov, based on a book by the republic's president, Islam Karimov, *Uzbekistan at the Turn of the 21st Century: Threats to Security, Conditions and Guarantees of Progress*, was awarded two prizes at once. But there is hardly any point in anticipating cinematographic innovations in a film in which "...not only the country's wise leader is shown, but also the current Supreme Commander-in-Chief of the Armed Forces, who assumes full responsibility upon himself and understands their role in ensuring the nation's peaceful and dignified future." Here are the words of the film's author: "I tried to take a look at how the power, a specific leader, behaves in emergencies, and if I was unable to hide my admiration of the Uzbekistan President, that was only because it was genuine."¹⁸

In recent years, people in the republic are talking more about the need for further reforming national cinema and are identifying the difficulties it faces today. One of the significant problems is the extremely small number of cinemas for showing films: more than 80% of the cinema houses have been turned into restaurants, cafeterias, discotheques, billiard halls, and other places of entertainment. Projects are being put forward which affect different aspects of the industry's operation. For example, well-known film expert and film critic, Professor Djura Teshabaev, suggested dividing the film industry into technical and creative components. In so doing, film studios will continue to act as technical enterprises, carrying out the entire production cycle, beginning with putting out the script, while the creative aspect of making films will be served by a specially created film academy, which will allow both branches of the film industry room for maneuver.¹⁹ Another suggestion was aimed at searching for new sources of financing: leasing pavilions, film sets, costumes, and other property to foreign film companies for making their films. What is more, there are proposals to sell foreigners some of the shares of the national film company.²⁰

A new phenomenon is attempts by Uzbek film makers to establish cooperation with colleagues from neighboring Central Asian states. A big event was the Kyrgyzstan-Uzbekistan Film Bridge conference organized in December 2002. Some of its participants accused Uzbek cinema of "spinelessness, insipidity, and unnecessary sentimentality and romanticism," and of "...making no headway." Whereas Kyrgyz films, which are being made in a country where there is now a different political and ideological climate and more "advanced" democracy, were said to be distinguished "...by artistic taste and mature cinematographic vision. ...Our Kyrgyz colleagues find topics and themes which touch the hearts of today's audience. ...Their works are full of the grim truth."²¹

¹⁶ Kh. Abul-Kasymova, "S nadezhdoi na budushchee," *San'at*, No. 1, 2000, p. 40.

¹⁷ See: *Toshkent Okshomi*, 9 September, 2002.

¹⁸ *Narodnoe slovo*, 5 October, 2000.

¹⁹ See: *Pravda Vostoka*, 24 May, 2001.

²⁰ Recording of conversation with film director M. Zakirov, Tashkent, 27 January, 2003.

²¹ *Pravda Vostoka*, 26 December, 2002.