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**ENERGY PROJECTS AND
ENERGY POLICY****GEOPOLITICS AND
ENERGY DIPLOMACY
IN CENTRAL ASIA AND
THE CASPIAN**

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It has become obvious today that the global energy market is hugely unbalanced not only by the exorbitant oil prices, but also by mounting military and political tension in the Middle East, the largest oil producer, and the rapidly disappearing oil reserves of the major oil consumers. The growing fuel consumption all over the world—in developed and developing countries alike—is another reason for these processes and the principles according to which the world market functions today. Huge amounts of money are being poured into the oil and gas sphere; and the political and economic interests of the major geopolitical actors are focused on it. It looks as if the world will continue consuming hydrocarbons at a rapidly increasing rate in the foreseeable fu-

ture as well. As a result, the largest oil importers will obviously have to compete for influence or for even greater influence in the oil- and gas-rich regions.

Oil and gas are non-renewable resources randomly scattered all over the world, which explains their geopolitical importance for the world powers seeking stable and predictable access to them. Natural resources have long been not only an export item, but also an efficient foreign policy instrument of the states that possess these resources and the right to manage them.¹ While encouraging economic cooperation, many coun-

¹ See: Iu. Godin, "Geopoliticheskaia rol' vneshney torgovli energoresursami dlia Rossii," *Mirovaia ekonomika i mezhdunarodnye otnoshenia*, No. 2, 2006, p. 103.

tries are pursuing geopolitical rather than economic aims.

The Caspian-Central Asian region, which includes the Caspian and Central Asian states, forms a large and interconnected energy market

with an exceptionally advantageous geostrategic position. Today, the region is still a place where the national interests and geopolitical rivalry of external forces seeking energy security meet and intertwine.

Energy Security Conceptualized: The Role of the Caspian-Central Asian Region

It is commonly believed that two key issues dominate the global security sphere: first, is there a danger that the world's proven energy resources will be exhausted and how will the structure of the world energy balance change in the next 25 years? And, second, what is "energy security?" If this concept does exist, what exactly should be done to allow each of the states and world energy fuel market as a whole to achieve it?

The results obtained during a wide-scale survey can answer the first question: by 2030 the share of oil in worldwide energy consumption will drop by one percent—from 39 to 38 percent. By the same year, according to the same project, the natural gas demand (if it grows by 3 percent annually) will double compared to 2001. By 2030, natural gas may account for 30 percent of the energy fuel market, thus outstripping coal by one-third. It will mainly be used for electric energy production, the demand for which will also rapidly grow; the pace will be especially impressive in industrializing China and India. The share of nuclear power energy will drop from 6.6 percent in 2001 to 4 percent in 2030, while renewable energy sources will double their share to 7 percent.²

In the next 25 years, oil consumption will rise steadily without leaps and bounds; after a while, the world will gradually exhaust the easily recoverable oil reserves (about 1 trillion barrels), since oil consumption outstrips the pace of new field development. The world, however, has huge (about 1.1 trillion barrels) oil reserves found in hard to reach or climatically harsh areas.³

Energy security is commonly described as "access to the energy resources needed to develop national power." There is a widely shared opinion in the expert community that energy security is the second important component of state policy, following immediately behind national defense.⁴ It demands that the state should ensure a reliable, consistent, and diversified supply of energy sources. A reliable energy infrastructure is another side of the same problem, as well as emergencies that may disrupt its functioning. Sustainable economic development is part of the wider problem of energy markets and reliable supplies. Diversification of energy resource supplies designed to ensure long-term energy security and environmental protection is another important issue. The geopolitical aspects of the general energy strategy presuppose control over the sources of energy fuels and their supply lines. The process turns into rivalry, which inevitably leads to clashes of interests.⁵

² See: *Energy and Security: Toward a New Foreign Policy Strategy*, ed. by J.H. Kalicki and D.L. Goldwyn, Woodrow Wilson Center Press, Johns Hopkins University Press, Washington, Baltimore, 2005, p. 25.

³ *Ibid.*, p. 21.

⁴ *Ibid.*, p. 22.

⁵ See: A. Korneev, "Rossia i mezhdunarodnaia energeticheskaia bezopasnost'," *SShA i Kanada: ekonomika, politika i kul'tura*, No. 4, 2006, p. 57.

Significantly, a stable worldwide market of energy fuels is another key energy security factor, together with diversified supplies and stand-by facilities. The same applies to constructive relations with the producer countries and large-scale users of energy sources, multifaceted measures designed to protect fields and oil and gas transportation routes, as well as international projects of investigation of world power engineering prospects and more efficient energy consumption.⁶

Energy security issues are shifting from a desire to be energy-independent to growing mutual dependence of the exporters and importers and to globalization of energy production, transit, and consumption problems. It is becoming increasingly clear that regional energy security issues are developing into global ones.

At present, most countries all over the world are facing grave challenges of a global nature closely connected with the still unresolved energy security problems. They are primarily the increased energy consumption, greater dependence on energy-consuming technologies, and skyrocketing prices on the energy market, as well as progressive depletion of the traditional explored reserves.

Today, the geopolitical structure of the global oil market is changing before our very eyes. Energy has become one of the key factors to be reckoned with. All countries should take them into account when shaping foreign policies and diplomatic approaches. In a world where energy fuels and the need for them have become the key factor of economic and technological development, energy diplomacy is already the linchpin of current policies.

For obvious reasons, the energy fuel-dependent countries are becoming much more lenient when it comes to foreign policy. In addition, attachment to one region as the sole source of fuel jeopardizes national security. As a result, the traditional paradigm of ensuring national security is changing, while most states have recognized the need to develop and implement a so-called energy security strategy. In the era of increasing mutual dependence, the world community has become fully aware that it needs stable and predictable energy markets as the cornerstone of global energy security.⁷

Looking back, we can say that the unprecedented grave energy crisis of the 1970s revealed the need to address global energy problems, including, among other things, by means of a dialog between the energy fuel producers and consumers. The crisis caused by the Arab countries' anti-Western moves shattered the world in 1973; oil prices skyrocketed for the first time in the 20th century to endanger economic progress in many countries. It was then that a group of developed countries, on America's initiative, closed ranks to oppose OPEC and its plans; it also elaborated certain measures that alleviated the global consequences of the energy crisis, which had already negatively affected the entire system of international economic relations. From the very beginning, the Group of Seven, or G7, set up in 1975 concentrated on international energy as well as trade, economic, and financial policy. It was an influential and competent institution of inter-state relations among seven leading countries. Its very first summits in Rambouillet (1975), Puerto Rico (1976), and London (1977) demonstrated that energy-related issues had moved to the fore in America's relations with other industrialized states.⁸

For historical reasons, global energy issues remain one of the priorities of today's G8 (with Russia among the members); its members largely define the course of global energy diplomacy. As the G8 chair country for 2006, Moscow, obviously aware of the entire range of accumulated problems, concentrated on the energy sphere. It is expected that international cooperation in the energy sphere will become a priority, although not the dominant one, of world politics in the foreseeable future.

⁶ See: D. Yergin, *The Prize: The Epic Quest for Oil, Money, and Power*, Cambridge Energy Research Associates, Cambridge, 1999.

⁷ S. Maksimov, "G8 i global'nye priority energeticheskoy diplomatii Rossii," *Mirovaia energeticheskaya politika*, No. 3, 2002, p. 39.

⁸ S. Zhiznin, "Energeticheskaya diplomatiya v ramkakh G8," *Mirovaia energeticheskaya politika*, No. 3, 2002, p. 33.

The growing international tension, spread of terrorism and extremism, the military operations in the Middle East, which is the world's most unstable region (Iraq, the Iranian nuclear problem, the Palestinian-Israeli and Lebanese-Israeli conflicts), and the increasing tension in Latin America (U.S.-Venezuelan relations), etc. have added new facets to the energy security problem.

How does the above affect the role of the Caspian-Central Asian region in the current geopolitical struggle closely connected with the world energy market?

The region, at the crossroads of the supply lines between Europe, Asia, and the Gulf zone, is commonly known as a key geostrategic area. It is equally well known that the rich oil and gas resources of the Caspian Sea have made the region important in the world energy sphere and in geopolitics. Today, according to certain sources, the total volume of proven oil resources in the Caspian is 4 billion tons, or 2.6 percent of the world resources.⁹ It is commonly believed that Uzbekistan's gas reserves amount to 1,850 bcm; while Turkmenistan possesses 2,900 bcm of gas.¹⁰

America, Russia, the EU, and China are convinced that the Caspian hydrocarbons are a serious factor capable of maintaining stability on the world oil market in the first half of the 21st century, as well as helping them to somewhat decrease their dependence on oil imports from the Middle East where continued military-political instability is forecasted. The Caspian reserves of energy fuels are large enough to satisfy a considerable part of the above countries' requirements. The Caspian reserves are not vast enough to undermine the Middle East's domination, yet they may stabilize the prices and the overall situation on the world energy markets.

Let's identify some aspects of the energy interests of the most active geopolitical players on the Caspian-Central Asian "chessboard."

The U.S.: As the world's largest oil consumer, the United States uses its economic and military might to pursue its own energy diplomatic strategy on a global scale. In fact, energy foreign policy all over the world has become even more important because the United States is the world's largest consumer of energy resources.¹¹ In the light of the officially announced long-term aim of diversification and much deeper development of the raw-material base outside America exploited by American companies, its foreign policy in the energy sphere concentrates on international regions and zones of its special energy interests.

The United States treats its relations with the countries rich in energy fuels—the Gulf, Latin American, Central Asian, and Caspian countries—as a priority. Washington officially describes the latter, together with the Gulf countries, as a zone of its "vital interests," which affects America's national security. This is dictated not only by its urge to achieve and maintain energy security: it is the White House's ambition to control the Caspian and Middle Eastern sources of energy fuels and transportation routes at the same time to be able to strengthen its geopolitical and economic situation in the world and its domination on the world hydrocarbon markets. In this context, the United States is seeking Caspian resources not so much to import more oil as to use the increased oil exports from the region to put pressure on the OPEC members in order to undermine their influence on the world oil markets.

Today, the United States needs oil more than ever before, therefore free access to energy fuel sources has become one of its priorities. In the last ten years, Americans have increased their oil consumption by 14 percent, while domestic oil production rose by 2 percent, the difference being covered by imported oil. In the last ten years, energy fuel import has grown by 30 percent. America is obviously growing increasingly dependent on oil imports; the situation is becoming even more serious because of the inflated oil prices.¹²

⁹ See: D. Kalieva, "Geopolitika nefteprovodnykh kommunikatsiy," *Analytic*, No. 1, 2005, p. 20.

¹⁰ See: *Energy and Security: Toward a New Foreign Policy Strategy*, p. 190.

¹¹ S. Zhiznin, "Energeticheskaya diplomatiya SShA," *SShA i Kanada: ekonomika, politika i kul'tura*, No. 2, 2000, p. 72.

¹² See: D. Kalieva, "Geopolitika nefteprovodnykh kommunikatsiy," *Analytic*, No. 2, 2005, p. 13.

Due to its recent failures in Iraq, Afghanistan, and elsewhere, Washington has somewhat readjusted its approaches to the other powers present in the region. In October 2005, during her Central Asian trip, U.S. State Secretary Condoleezza Rice confirmed once more that the U.S. administration was resolved to remain in this strategically important region and pointed out that no “race of interests” was needed since there was enough room for all.

The RF: Russia is the world’s largest oil and gas exporter, which explains why energy fuels are its very important foreign policy issues. The Caspian and Central Asia are traditionally the zone of Russia’s geopolitical and economic interests. Its key interests include control over the production and transportation of oil and gas resources to the markets.

Transportation is important because Russia not only wants stability when it comes to the geopolitical balance of forces in the region—it also deems it necessary to maintain stability on the world oil and gas markets in the interests of both producers and consumers.¹³ The Kremlin does not want to make Central Asia a scene of geopolitical confrontation, even though there is opposition among the foreign actors there.

Russia, which is posing as a large and independent energy power, is seeking a corresponding share of responsibility for global energy security and stability. In 2006, President Putin officially announced that Russia intended to become the world’s energy leader. Moscow put forward the energy issue as the key one at the Petersburg G8 summit in July 2006.

In recent years, the Russian government has established tighter state control over and management of energy resources inside the country, yet many of the Western states are apprehensive about Moscow’s rather hard-line energy strategy. The West is displeased with the YUKOS affair, strict limitations on foreign investments in Russian oil fields, etc. The Kremlin has obviously acquired ideas of its own, different from those of the West, about energy security and the role of Russia and Central Asia on the global energy market.¹⁴

The PRC: In the last twenty odd years, the energy fuel deficit has come to the fore as an extremely important factor that interferes, to a certain extent, with the country’s economic dynamics. According to specialists’ forecasts, in the future the country will have to import more and more oil. In 2004, it imported 120 million tons of crude oil; and in 2005, China’s dependence on imported fuel topped 50 percent. According to preliminary forecasts, by 2010 it will consume 400 million tons of oil, a meager 160-170 million tons coming from domestic sources.¹⁵ Mid- and long-term economic prospects reveal the true significance of oil for China.

In the face of economic development and the new trend of energy consumption, as well as in the worldwide energy-geopolitical and diplomatic context, China is seeking a stable strategy that will bring it to the foreign energy markets, the Central Asian market in particular.

At no time has Beijing doubted the region’s strategic importance—it has always regarded Central Asia as its natural continental sphere of influence. Today China is actively trying to penetrate Central Asia’s energy market and have a say in any possible re-division of it.¹⁶ It should be said that, apart from Russia and Kazakhstan, Turkmenistan and Azerbaijan are China’s two other partners in the energy sphere. Because of their huge hydrocarbon resources, geographic proximity, which makes transportation easier, and the dynamically developing integration within the SCO, Kazakhstan and Russia are of special strategic importance for China.

¹³ See: E. Telegina, “Mirovoy energeticheskiy rynek i geopoliticheskie interesy Rossii,” *Mirovaia ekonomika i mezhdunarodnye otnosheniya*, No. 5, 2003, pp. 60, 64.

¹⁴ See: G. Chazan, G. White, “Energeticheskaia politika Rossii protivorechit ee slovam dlia G8,” available at [<http://www.inopressa.ru/wsj/2006/07/06/11:46:16/g8>].

¹⁵ See: Hu Hao, “Tendentsii energodiplomatii mirovykh derzhav i perspektivy kitaysko-kazakhstanskogo energeticheskogo sotrudnichestva,” *Kazakhstan v global’nykh protsessakh*, No. 1, 2006, p. 32.

¹⁶ See: S. Cherniavskiy, “Tsentral’naia Azia v epokhu peremen,” *Rossia v global’noy politike*, No. 6, 2005, p. 154.

The EU: The European Union, a geopolitical actor of a new type with vast economic and military-political potential, as well as great ambitions created by the combined national interests of 25 European countries, is actively seeking a niche of its own in the global energy expanse.

According to the European Commission, the EU will become even more dependent on imported gas and oil in the near future. If nothing is done today, in two or three decades the EU will cover 70 percent of its energy fuel consumption with imported oil. (Today Brussels estimates the share at 50 percent.) To avoid a short-term deficit, Europe has to create mechanisms of fuel deliveries from other countries.

José Manuel Baroso, Chairman of the European Commission, has pointed out in particular that to ensure a steady supply of energy fuels, all the EU member states should close ranks: they have to decide whether they are prepared to delegate their powers in the energy sphere for the sake of a coordinated energy policy that will strengthen the EU's position at the talks with oil and gas suppliers. Brussels has obviously learned the lesson of early 2006 when the gas conflict between Russia and Ukraine undermined gas supplies to EU countries.¹⁷

It seems that the coordinated energy policy issue looms large and that the Caspian-Central Asian region will play one of the key roles in its implementation. In 2005, the EU showed, in the diplomatic manner typical of it, its interests in the region by creating the post of special EU representative for Central Asia and the Caucasus.

Unlike the United States, the EU countries recognize Russia's interests in Central Asia and are prepared not only to discuss them, but also to cooperate in the security sphere (the anti-drug struggle in particular), the fuel and energy complex, and the transportation problem.¹⁸

All the above countries and the EU are the main actors operating on the energy field of the Caspian and Central Asia. There are several periphery players also wishing to claim their share of the "energy pie." With no prominent position in this sphere, they can be described as strong regional geopolitical actors. The regional states turn to these countries when they need an alternative to the main players. I have in mind Turkey, India, Pakistan, and, to a certain extent, Ukraine. None of them can be described as a newcomer, but not all of them are strong enough to reinforce their declared ambitions with practical measures: their regional presence is still barely noticeable.

India: Today it is the sixth world's largest energy consumer; it is actively involved in the process of diversifying its energy sources. Like China, it is enormously interested in the Caspian states' gas and oil sphere. Obviously inspired by the Baku-Tbilisi-Ceyhan project, Indian Energy Minister Shankar would like to initiate another similar project—an oil pipeline that would bring Caspian oil to India.

Pakistan: Its acute need for energy fuels is forcing the country to convince the Caspian states to take part in the old project of a Trans-Afghanistan gas pipeline system from Turkmenistan across Afghanistan to the South Asian countries.

Its frenzied activities are politically dominated.

- First, having presented itself as one of the regional leaders it wants a greater presence in the oil-rich region by building up economic contacts with the Caspian states.
- Second, it wants to deter India, its traditional rival.
- Third, because of its far from simple relations with Washington, Islamabad is seeking new partners up north.

Turkey: This is another actor pushing for geopolitical prominence in the Caspian region and Central Asia. Together with American companies, it is actively promoting the BTC oil pipeline, which,

¹⁷ See: "Brussels' trebuet novoy energeticheskoy politiki ES," available at [<http://www.inopressa.ru/faz/2006/03/09/12:43:10/eu>].

¹⁸ See: S. Cherniavskiy, op. cit., p. 157.

by joining the Caspian oil field with Turkish ports, will allow Turkey to diversify fuel sources and alleviate the dependence of Western Europe and America on the Gulf countries, by the same token increasing its own political and economic importance for the West.

Ukraine: Quite unexpectedly pro-European Ukraine wants a geopolitical role in the region: its new leaders described Ukraine's energy independence from Russia as one of its national priorities. Today, over 90 percent of Russian gas supplies to Europe are transported across the territory of Ukraine, which determines Kiev's strategic significance both for Russia and the European Union. However, the serious political crisis in the relations between the two countries, which cropped up after the Orange Revolution, made Ukraine Russia's permanent headache. Oil transit is not the only problem: potentially, at the instigation of the Orange leaders, Ukraine may become a military strategic springboard for the United States and NATO. As such it will develop into a serious challenge for the Russian Federation.¹⁹

The Caspian-Central Asian region is of great objective importance for the leading Western and Eastern countries as a large source of energy fuels; over time it will become even greater, so geopolitical tension will persist.

Pipelines as a Tool of Energy Diplomacy

The contradictory interests of the countries pushing forward their own projects and trying to shape the geopolitical orientations of the continental Caspian states are graphically manifested in the energy fuel transportation issue. This is creating many problems for the local countries, which must skillfully balance the interests of all main players to protect their own interests as well. The interests of the key Big Game players in the transportation issue are too complicated to be easily balanced—the task is very complex and calls for a lot of ingenuity.²⁰

The pipeline systems are developing into an important tool for protecting and implementing national interests; they are a tool of pressure, as well as a tool of friendly and long-term strategic partnership.

The Russian-Ukrainian gas conflict of early 2006 graphically demonstrated how such crises would be resolved in the near future. The “energy pressure” model was remarkable because it was carefully prepared: by halting gas supplies to Ukraine, the consumer and transit country through which gas reaches the EU, Moscow, without impairing its own interests, put strong pressure on Ukraine through Brussels, which suffered the most from Kiev's “misbehavior.” The crisis escalated from an economic into a political one. Ukraine, which wants to join the EU, yielded to EU pressure. By raising gas prices and halting its supplies, Moscow showed who was the boss and sent a broad hint to Brussels.

In Western Europe, however, this message was taken as a sign of trouble. Western analysts wrote that Russia, very much as before, continued using its energy resources for political purposes. It used natural gas to “reward” neighbors that accepted its “political dictate” (such as Belarus) and to “punish” states wishing more independence (such as Georgia and Moldova). It is also seeking control over their oil- and gas-pipeline and energy supply systems through gas as a pressure tool. It is a powerful one: Russia accounts for over a quarter of the world's total gas supplies; it is one of the key gas suppliers for practically all the European countries.²¹

¹⁹ See: D. Malysheva, “Geopoliticheskie manevry na Kaspii,” *Mirovaia ekonomika i mezhdunarodnye otnoshenia*, No. 5, 2006, pp. 72-75.

²⁰ See: D. Kaliyeva, “Geopolitika nefteprovodnykh kommunikatsiy,” *Analytic*, No. 1, p. 20.

²¹ See: “Russia's Energy Politics,” *The Washington Post*, 4 January, 2006.

This explains why the Caspian and Central Asian countries are doing their best to diversify energy transportation, while Russia probably runs the risk of losing, some time in the future, its monopoly in this field as well. Contrary to their carefully demonstrated desire to preserve constructive relations with Russia, the United States, EU, and China would like to deprive it of its monopoly in this sphere.

Today, Moscow still controls the oil-pipeline infrastructure, which includes the CPC, the Atyrau-Samara, Baku-Novorossiisk, and other pipelines; it can still impose its conditions on the Caspian and Central Asian countries and remain the region's leader.

Beijing is currently in a very favorable position: it has completed the oil pipeline from Kazakhstan through Atasu to Alashankou, which goes on to reach the Asian Pacific states. For China, this route is a strategically, economically, and geopolitically important project; for Kazakhstan it is an open door to the capacious and promising Asian market. Economic advantages aside, the completed project will allow Kazakhstan to pursue a more flexible transportation policy independent of both American and Russian factors, as well as to balance out their regional influence. The Kazakhstani-Chinese project cannot be described as a political irritant for Russia's establishment: today, Russia and China are engaged in strategic cooperation.

The other big players, such as **Washington** and **Brussels**, cannot respond with alternative transportation routes to oppose the Kremlin. The "alternative" BTC pipeline is of obvious geopolitical importance and intended as a counterweight to Moscow. It was lobbied for its political rather than economic expediency and was a product of political considerations rather than negotiations of all sides involved. Significantly, its members either belong to GUAM or NATO (Turkey).

Kazakhstan's involvement is purely pragmatic and is prompted by the need to find alternative transportation routes for its oil. By seeking multi-vector export routes, Kazakhstan is diversifying its markets and achieving flexibility in loading and using the oil transportation systems. This is creating better tariff conditions for Kazakhstani oil and gas exporters. Experts agree that without Kazakhstani oil the BTC pipeline would unlikely be operating smoothly, therefore growing oil production in Kazakhstan was taken into account from the very beginning. For obvious reasons, the leaders of Kazakhstan at first were cautious about the project mainly because it was hard to deliver oil to Baku. It was understood from the start that when the republic's oil production outstripped its transportation potential, Kazakhstan would join the BTC to avoid greater dependence on Russia and its oil-pipeline system.

Moscow responds to these developments with a great deal of pain and jealousy. Even before the BTC project began, the RF Ministry for Environmental Protection objected to pollution of the Russian sector of the Caspian as a probable result of increased oil and oil product traffic among its Caspian neighbors and promised to take adequate preventive measures. Obviously, Russia will use administrative measures to prevent Kazakhstani oil from joining the BTC. It is unlikely to succeed: it will more likely lose its complete control over Kazakhstan's oil export, which it used to its heart content for a long time.²²

Today, the CPC is Kazakhstan's only outlet to the world market. When fully commissioned, the BTC project will diversify the republic's export and provide a counterbalance to Russia's influence. At the same time, the project will add to America's political weight in the region, which Kazakhstan will have to take into account. For this reason, it is discussing, so far in an abstract way, its possible involvement in the Odessa-Brody pipeline. The problem cropped up at recent talks with Ukraine, at which plans for a consortium among Ukraine, Azerbaijan, Kazakhstan, and Georgia were discussed. It is intended as an operator for transporting Caspian oil from Kazakhstan, Turkmenistan, and Azerbaijan along the Baku-Supsa pipeline and further on to Odessa.

²² See: A. Skorniakova, "Mimo Rossii," *Profil'*, No. 26, 10 July, 2006, p. 46.

So far, due to Astana's potential rivalry on the world energy markets, Moscow, wishing to achieve certain political aims, can one-sidedly regulate the volumes of Kazakhstani oil crossing its territory and use it as a lever of political pressure.²³ This happened in the past when the Kazakhstani National KazMunaiGaz Company was not allotted a quota of 12 million tons of oil to be moved to the Mažeikiai oil refinery in Lithuania, thus depriving the company of the chance to buy it.²⁴

Turkmenistan, with the largest gas reserves in Central Asia and its export possibilities limited by the Gazprom pipeline system, is trying to find an alternative export outlet to sell gas at higher prices. Turkmenistan is not running any risks by entering into an open confrontation with the Russian giant monopoly. It has alternative customers—Ukraine and Belarus—the Russian company's "victims," which are prepared to accept Ashghabad's conditions (this is true of Ukraine in particular). A contract with Turkmenistan will allow Ukraine to decrease its dependence on Russian gas supplies and reduce the threat of a price increase. In 2007, Ukraine may count on considerable volumes of gas from Turkmenistan. Gazprom runs the risk of losing its monopoly on Turkmenian gas and a tool of pressure on Ukraine. The company might be deprived of part of the volumes it planned to buy from Turkmenistan to sell to Western Europe; it will be forced to look for gas elsewhere to fulfill its European contracts in 2007.²⁵

In an effort to preserve its control over Central Asian energy exports, Russia is offering its own arguments against the trans-Caspian pipelines. While Russian diplomats are talking about the environment, Moscow is building up its military presence in the region. A couple of pipelines on the Caspian seabed will completely destroy Russia's monopoly on the export routes that link the key energy producers in Central Asia (Kazakhstan and Turkmenistan) and the Western markets. Today, Moscow is doing its best to prevent the implementation of the trans-Caspian pipeline project. Azerbaijan and Kazakhstan, two countries that need maximum energy export independence, have joined forces to counter Russia's environmental objections.²⁶ Astana, Ashghabad and Baku might demonstrate even more consolidated determination to oppose Russia.

Washington is convinced that a wider system of energy security achieved by creating more energy transportation routes meets the interests of the local states and foreign investors. After succeeding lobbying the BTC pipeline, the Americans have been busying themselves with pushing through a so-called Trans-Caspian Gas Pipeline designed to move Turkmenian gas across Azerbaijan, Georgia, and Turkey to Europe. It looks as if the United States has decided to link the two projects together as vitally important for Washington's foreign policy strategy, mainly from the point of view of its geopolitical interests in the region.

To protect itself from the Middle Eastern political risks by means of Caspian oil, Washington should decide which of the export routes is best suited to its interests. This means that the United States should clearly acknowledge whether by-passing Russia should become its major aim. Or will being involved in laying export routes across Iran, the alternative favored by the non-American participants in the project, be less palatable than Russia's participation?²⁷

The "energy lesson" Russia taught Ukraine early in 2006 forced the U.S. State Department to declare that America's energy security should become a state priority. The lesson was obvious: the United States should act in all directions in order not to fall victim to other states' politics.²⁸

It should be said in all justice that American energy diplomacy is fond (at times even more than Russian) of all sorts of sanctions against states whose policies are not popular with the White House or threaten, according to American reckoning, generally accepted democratic principles and internation-

²³ See: D. Kalieva, "Geopolitika nefteprovodnykh kommunikatsiy," *Analytic*, No. 1, p. 21.

²⁴ See: A. Skorniakova, op. cit., p. 47.

²⁵ "Gazpromu otkryli vostochnyi front," *Kommersant*, 30 June, 2006.

²⁶ See: "Rossia pytaetsia sorvat' proekt transkaspiskogo truboprovoda," 30 March, 2006, available at [www.eurasianet.org].

²⁷ See: *Energy and Security: Toward a New Foreign Policy Strategy*, p. 162.

²⁸ Based on RIA Arbitr information of 6 January, 2006, available at [http://ria-arbitr.ru/news.htm?id=20024].

al security. Misbehavior includes human rights violations, involvement in terrorist acts and drugs, nuclear proliferation, use of prisoner labor, etc.

American-Iranian relations may serve as an example. They have remained strained for a long time; **Iran** is living under the pressure of all sorts of sanctions and fairly harsh treatment from Washington. Many of the transportation projects involving Iranian oil failed precisely with American help.

America is probably unwilling to change the situation; its hostile anti-Iranian policies might be explained by its desire to keep away all rivals until the Americans return to the Iranian markets. At the same time, there is a desire to establish more constructive relations with Tehran, but this development cannot be forecasted so far.

For objective reasons these policies do not suit Kazakhstan and Turkmenistan, two continental countries that badly need Iranian transit. The leading EU countries may demonstrate a more positive attitude to the trans-Iranian transportation project: they have been clearly and increasingly detaching their interests from America's, in the Caspian region as well as elsewhere. The Europeans know that American policies in Iran are aimed at replacing the ruling regime with a more malleable one—to ensure America's national security and to establish direct or indirect control over this oil-rich country. For this reason, the EU is pursuing a more independent policy in the interests of its members wishing to peacefully cooperate with Iran in the sphere of energy and transit.²⁹

Today the **EU**, as one of the key consumers of Caspian energy resources, is trying to diversify supplies; this makes it interested in improving relations with alternative suppliers. Back in 1991-1994, most of the European states signed the European Energy Charter, which said that each transit country should ensure free access to its transit facilities for end energy consumers. This means that every country receiving certain volumes of gas through transit systems should have free access to the transit system within the volumes it uses.

The EU is pursuing its own policy on the energy market. Unable to modify the rules on the world oil markets, Brussels turned to gas. In 2000, gas accounted for 23 percent of the EU energy consumption; the share is expected to reach 32 percent by 2030. This forced the EU to promote rivalry on the gas supply market by separating EU pipeline companies from gas distributors and demanding free access to European pipelines for all interested gas suppliers.

The EU is strengthening energy security at the level of gas production: EU bureaucrats and European companies are actively involved in the gas pipeline project to connect Azerbaijan and Europe via Turkey. The European Union would like to transport Turkmenian, Kazakhstani and, potentially, Uzbek gas through this pipeline.

In the current situation, greater European or Chinese involvement in the region's pipeline infrastructure will decrease geopolitical tension and help balance out the regional rivals. A developed pipeline system will become a tool of foreign policy and economic activities. The far from simple situation in the Caspian and Central Asia has demonstrated that diversified energy sources and transport outlets are conducive to geopolitical balance and energy security.

Energy Security as the Cornerstone of the Geopolitical Structure in the Caspian-Central Asian Region

During the past five years, the Caspian-Central Asian region has remained in the focus of international attention; because of its geostrategic position and energy potential it occupied a niche of its

²⁹ See: D. Kalieva, "Geopolitika nefteprovodnykh kommunikatsiy," *Analytic*, No. 1, p. 24.

own in the system of geopolitical coordinates. To grasp all the difficulties of regional geopolitics, we should identify the following obvious and continuing trends, which include:

- Lack of balance and strategic certainty among the main external players (the U.S., RF, PRC, and EU);
- Lack of balance and strategic certainty between the key external players and the Central Asian countries;
- Lack of balance and strategic certainty among the Central Asian countries themselves.³⁰

These trends are responsible for the highly complicated nature of the regional geopolitical processes. We should admit that the national interests of the major geopolitical players in the sphere of sustainable energy supplies and control over their sources are responsible for the international political demagoguery over ensuring regional security in the Caspian-Central Asian region.

It seems that under these conditions, security of the local states is seen through the prism of required stability of energy supplies and guaranteed incomes on investments. The above suggestions are based on the following: first, demonstration of military might by two opposing blocs—CSTO/SCO and NATO/GUAM—which is sending regional tension higher; second, regional tension and instability are preserved to feed the member states' energy-related ambitions. Today, all those involved in the region are equally exposed to the threats, therefore we need a balance among the external forces and their cooperation lest regional tension continue.

The year 2005 changed the geopolitical situation in Central Asia and changed the balance of forces of the main geopolitical actors.

The **United States** lost some of its influence and its position was weakened. As a result of the regime change in Kyrgyzstan, the political crisis in Uzbekistan, and the worsened situation in Afghanistan, these countries changed their political landmarks. More than that: Washington's domination is challenged by the continued and deepening Iraqi crisis, the latent conflict in Afghanistan, and obvious and mounting anti-Americanism in Latin America, Asia, etc. This is largely related to America's domestic situation: the president's plummeting job approval rating, frequent personnel shifts at the top of the state administration, and an obviously encroaching crisis in George W. Bush's administration.

As was earlier predicted, these developments have deprived Washington of its previous ability to control all the military-political processes on a global scale: while concentrating on one region, it is losing its grip on another.³¹ It is too early, however, to dismiss the U.S. altogether: during the five years of its active involvement in regional developments, Washington acquired a firm foothold in the economic and military sphere of some of the local states and can, therefore, influence the energy situation in the Caspian-Central Asian region. Since the situation in the Middle East is going from bad to worse, America might act quite unexpectedly to fortify its position in the Caspian and Central Asia and increase its share in the local energy fuels.

Today, **Russia** is in the center of a geopolitical web being woven to decrease its monopoly influence on the regional energy flows. Seen from the West, Moscow looks like a "transportation monopolist," a potential "energy dictator," a threat to the energy-related interests of the Western countries, and a strategic partner at the same time. Double standards typical of Western diplomacy and America's political achievements in the region have not yet deprived Russia of its geopolitical power and ability to affect local politics to a certain extent. Its close relations with the Caspian states, rooted

³⁰ See: M. Ashimbaev, "Sovremennaiia geopoliticheskaia situatsia v Tsentral'noi Azii v kontekste interesov mirovykh i regional'nykh derzhav," *Kazakhstan v global'nykh protsessakh*, No. 2, 2005, p. 6.

³¹ See: T. Shaymergenov, "Tendentsii razvitiia geopoliticheskoy situatsii v Tsentral'noy Azii na sovremennom etape," *Kazakhstan v global'nykh protsessakh*, No. 2, 2006.

in common history and cultural ties, transit potential, and the strongest military presence in the Caspian are Russia's most obvious advantages.

Today the Kremlin has clearly outlined its role as the world's energy power and given the other players to understand that it will not tolerate any infringements on its monopoly in the region. On the other hand, all Russia's gains in the region aside, it has not yet identified its long-term interests, therefore we cannot expect its final predominance in the Caspian and Central Asia in the near future.

China, which for some time remained fairly passive, has been increasing its involvement in the geopolitical struggle around the oil pipelines. It still remains devoted to the traditional "wait-and-see" tactics, yet its position in the regional economies has become obviously stronger. We can expect a breakthrough. As a large oil importer, China is in the same boat as the U.S., EU, Japan—large-scale oil consumers. We would expect concerted actions on their part when it comes to dealing with oil suppliers. The sides, however, feel and behave like rivals rather than like fuel-hungry partners: the West is trying to keep China away from Middle Eastern oil and limit its presence in the Caspian.

China's "friendship" with Moscow and Astana, its key energy allies, stems from the above. Fully aware of China's dependence on fuel and despite their strategic partnership, the Kremlin deems it necessary to betray its ambitions from time to time: in 2003-2004, the talks between the two countries about oil- and gas-pipelines from Siberia to China failed because neither the oil companies of the Russian Federation, nor its government wanted to increase oil deliveries to China. Moscow's "pipeline games" forced China to seek alternatives, which were found in the form of a pipeline project with Kazakhstan. The Russians, meanwhile, have not dropped the original plan altogether, but refused to look at the project expected to bring Siberian oil to the northeast of China through the city of Daqing as the priority one. Moscow favored a transportation project from Eastern Siberia to Nakhodka from which Japan, China's main rival in the region, profited.³² This is far-sighted because, under Western pressure, Moscow obviously needs strong regional allies.

China, too, needs military might to confirm its position in the region. In May 2005, Beijing put forth feelers: Liu Zanchao, spokesman of the Foreign Ministry of China, said in the *Huaxia Shibao* newspaper that the Chinese side "may seriously consider" the possibility of sending its troops to Kyrgyzstan within the SCO framework because its armed forces deployed in the country's south might prove useful in the struggle against terrorism, separatism, and extremism.³³ The statement was prompted by the words of Kurmanbek Bakiev, who said that because of the events in Uzbekistan the republic's southern regions were flooded with refugees and that he would agree to the deployment of CSTO and SCO forces to stabilize the situation.³⁴ Official Beijing offered no comment about Liu Zanchao's declaration, but Bishkek diplomatically rejected the "Chinese intervention" (the term the press used to describe the possible deployment of Chinese troops in Kyrgyzstan). The Chinese did not insist, but their hint was too obvious to be misunderstood.

The changing geopolitical situation in the Middle East and Central Asia is forcing China to extend its political and economic cooperation with Iran. It may serve as a diplomatic tool to be used in China's geopolitical maneuvers in both regions and an important source of energy fuels. Today, several scores of Chinese companies are already involved in large-scale energy, industrial, and construction projects, one of them being a main pipeline to Tehran. This is obviously intended, among other things, to stimulate trade in oil and oil products with Kazakhstan and Turkmenistan.

³² See: D. Kalieva, "Geopolitika nefteprovodnykh kommunikatsiy," *Analytic*, No. 2, p. 17.

³³ Based on RIA "Novosti" information of 31 May, 2005, available at [www.rian.ru].

³⁴ Based on RIA "Novosti" information of 25 May, 2005, available at [www.rian.ru].

It seems that Washington, as Beijing's main rival, will offer stiff competition over oil and domination in the Caspian and Central Asia. China will persist in going on in the desired direction and will continue avoiding an open confrontation with the United States. While moving forward step by step and using the mechanism of economic cooperation, China will build up its presence in the region until all the other powers will have to accept it for a fact.³⁵

The **European Union**, for its part, is also working on its energy-related policies in the region, but it is unlikely to step up its involvement in the mid-term: the very complicated system of harmonizing the positions of its 25 member states is unlikely to allow it to fortify its position in the region as a single energy player. It seems that individual members (Germany, the U.K., and France) will demonstrate more activity. In any case, it is too early to look at the EU as a serious force in Central Asia. Brussels' obvious intention to present itself as a power in the region is merely another attempt to acquire more confidence and overcome the complex of a "junior" member of the trans-Atlantic combination.³⁶

The above suggests that a lack of balance among the leading external players and tension among them as well as among the local states and their fairly complicated geopolitical intrigues are destabilizing the situation. Destabilization, in turn, jeopardizes the sides' energy security.

* * *

It seems that permanent tension in the Caspian and Central Asia may negatively affect its energy market's competitiveness on a global scale. No "Caspian Oil Cartel" will appear to balance out the Middle East: its energy resources will remain an object of political games of outside forces and "hostages" of the ambitions of transit countries.

Central Asia needs alternative cooperation channels and an efficient system of geopolitical checks and balances. Being dependent on the key geopolitical actors, the local countries remain targets of outside influence unable to change the course of events in their favor. The still unsettled status of the Caspian, which is creating numerous claims and ambitious statements, is one of the stumbling blocs.

It seems that the widening oil pipeline network might allow the local oil producers to defend their interests more effectively. A ramified transportation system and considerable resource potential are the keys to the leading actors' energy security, and they should learn how to use them. If they continue acting independently, the regional states are in danger of perpetrating their dependence on external forces. Only by pooling their efforts and creating a single energy market as the basis of their united front on the global market, these countries have a chance of increasing their energy and, consequently, geopolitical competitiveness.

Today, there is nothing to indicate that this might happen soon, while external forces continue exploiting the divide and rule policies with great success.

³⁵ See: D. Kalieva, "Geopolitika nefteprovodnykh kommunikatsiy," *Analytic*, No. 2, p. 18.

³⁶ See: T. Shaymergenov, *op. cit.*

CENTRAL ASIA AND THE CASPIAN: A NEW STAGE IN THE GREAT ENERGY GAME

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The events that took place early in September 2006 can be described as the starting point of a new round of the Great Game for control over the Central Asian and Caspian gas resources. The near monopoly domination of Russia and Gazprom in this part of the world is becoming a thing of the past. China, which signed contracts on the delivery of over 100 bcm of gas with Russia and the Central Asian countries, has moved to the fore, thus tipping the balance of forces. The fact that the huge contractual amounts have not yet been confirmed either by available resources or by adequate transportation facilities testifies that the countries involved are working toward new and more acceptable rules on the market that is just taking shape.

The rivalry over the energy sources of Central Asia and the Caspian is rooted in the 19th century when Britain and Russia were locked in the so-called Great Game over the region. Early in the 20th century, the Caspian supplied the world with half the oil it consumed; this was where the huge wealth of the Nobels and Rockefellers originated. When the Soviet Union left the stage, Western companies pushed in with the intention to control the natural resources of the newly independent Central Asian and Caspian states. In Asia, too, the giants—China, India, Japan, and the Republic of Korea—stepped up their involvement in the process. Russia, which lost some of its influ-

ence in the 1990s, has been building up its presence in the last few years. Analysts and political observers have already tagged the rivalry over energy resources and pipelines as “a new round of the Great Game of the 19th century.”

Today, America, Russia, China, Japan, and India are interested in the region for several reasons: its favorable geographic location and its potential as a West-East and North-South communication corridor; the world’s growing demand for energy fuels, in which the region is rich, as well as the counter-terrorist struggle.

In the final analysis, however, the present active involvement of the world’s largest countries in Central Asia and the Caspian, which manifests itself in different forms (diplomatic, military, economic, etc.), is explained by nothing more than the key political reality: the exacerbating rivalry over raw materials, particularly energy fuels.

The oil crisis taught the oil importers that they need an uninterrupted flow of oil from the oil wells to the consumer; they also learned that oil should come from different sources in sufficient quantities to exclude the possibility of “energy blackmail.”

* * *

The Caspian is a very promising source of gas and oil, much richer than the North Sea. The largest lake has at least 4 percent of the world’s hydrocarbon resources under its bed.

Table 1

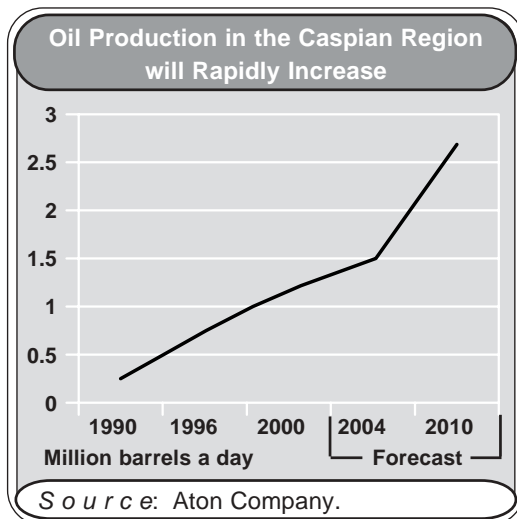
**Oil and Gas Resources of the Caspian Region as Assessed
by the U.S. Energy Information Administration**

Units	Oil			Gas			Oil + Gas		
	Proven resources	Potential resources	Total	Proven resources	Potential resources	Total	Proven resources	Potential resources	Total
AZERBAIJAN									
Billion barrels	3.6-11.0	27	31-38						
Trillion cubic feet				11	35	46			
Billion tons of conventional fuel	0.7-2.2	5.4	6.1-7.6	0.4	1.3	1.7	1.1-2.6	6.7	7.8-9.3
IRAN*									
Billion barrels	0	12	12						
Trillion cubic feet				0	11	11			
Billion tons of conventional fuel	0	2.4	2.4	0	0.4	0.4	0	2.8	2.8
KAZAKHSTAN									
Billion barrels	10.0-16.0	85	95-101						
Trillion cubic feet				53-83	88	141-171			
Billion tons of conventional fuel	2.0-3.2	17	19.0-20.2	2.0-3.1	3.3	5.3-6.4	4.0-6.3	20.3	24.3-26.6
RUSSIA*									
Billion barrels	0.2	5	5						
Trillion cubic feet				—	—	—			
Billion tons of conventional fuel	0.04	1.0	1.0	—	—	—	—	—	—
TURKMENISTAN									
Billion barrels	1.4-1.5	32	34						
Trillion cubic feet				98-155	159	257-314			
Billion tons of conventional fuel	0.3-0.3	6.4	6.7	3.7-5.8	5.9	9.6-11.7	4.0-6.1	12.3	16.3-18.4
TOTAL FOR ALL CASPIAN COUNTRIES									
Billion barrels	15.2-28.7	16.1	176.2-189.7						
Trillion cubic feet				—	—	—	—	—	—
Billion tons of conventional fuel	3.0-5.7	32.2	35.2-37.9	—	—	—	—	—	—
TOTAL FOR ALL CASPIAN COUNTRIES (APART FROM RUSSIA)									
Billion barrels	15.0-28.5	156	171-184.5	162-249	293	455-542	177-278	449	626-727
Trillion cubic feet									
Billion tons of conventional fuel	3.0-5.7	31.2	34.2-36.9	6.1-9.3	10.9	17.0-20.2	9.1-15.0	42.1	51.2-57.1
* Only the Caspian Coast.									

From the viewpoint of reserves, the Caspian shelf is the most promising, and the most risky, investment object. American experts assess the recoverable reserves at 2.4-4.6 billion tons; potential reserves are several times higher. While agreeing with the Americans on the whole, analysts believe that the figures might be overstated to a certain extent.

Finding themselves unexpectedly independent and deprived of their share of the huge Soviet market, the regional countries had to find development resources at home. They turned to their natural riches, however only extensive oil and gas production could promptly bring real money to the state coffers. Azerbaijan, Kazakhstan, and Turkmenistan had to rely on the oil and gas Caspian fields for survival. According to statistics, oil production in Central Asia and the Caspian was developing by leaps and bounds. Its dynamics are very illustrative (Diagram).¹

Diagram



Russia produced 643 bcm of gas in 1991 and 634 bcm in 2004; Kazakhstan produced 8 and 20 bcm; and Uzbekistan, 42 and 60 bcm, respectively.

¹ See: *Ekspert*, No. 41 (441), 1 November, 2004.

Russia produced 462m tons of oil in 1991 and 459m tons in 2004; while Kazakhstan produced 27 and 59m tons, respectively (in 2006-2007 production reached 80m tons). In 1991-2004, Azerbaijan increased its annual oil production from 8 to 16m tons.

The region is steadily developing into one of the world's major oil exporters. Even though there is no clarity about the actual amounts of Caspian shelf oil and gas reserves, it is local and foreign oil companies actively putting the already known fields into production that is giving the Caspian countries (including Uzbekistan) the chance to join the world's largest oil exporters in the next ten years. A small part of the oil produced is used locally, and the rest is imported. Up to 70 percent of Azerbaijan's export revenues consist of petrodollars (export of oil and oil products); oil comprises 50 percent of Kazakhstan's exports.²

Assessments of the Caspian region's export potential differ: according to the Russian Fuel and Energy Ministry, it is not much higher than 70-80m tons of oil a year; the Caspian countries have their own ideas. By 2010, Azerbaijan and Kazakhstan plan to export 100m tons of oil every year; and Turkmenistan, 50m tons. Some experts forecast that in the next ten years the Caspian states will export up to 100-150m tons (2-3m barrels a day), an increase of 4- to 6-fold over the current figures.³ Experts of the U.S. Department of Energy are even more optimistic: they expect that by 2015 the Caspian will export 200-230m tons of oil. Today the world produces about 3 billion tons every year, which means that in the next few decades the Caspian will account for 7 percent of world production. Western analysts believe that this will make the West less dependent on the Gulf countries.⁴

² See: *Tsentrāl'no-aziatskie novosti*, 25 September, 2002; *Neft i kapital*, 17 November, 2004.

³ [<http://www.context-ua.com>], 15 July, 2002.

⁴ See: A. Butaev, *Kaspiy: zachem on Zapadu*, Chapter 4, available at [www.caspiy.net].

Zone of America's Strategic Interests

America and Europe do not merely want to rule out "oil blackmailing" by creating new sources of energy fuels. In the West, the Cold War syndromes are forcing many strategists to insist on Rus-

sia's isolation and the greatest possible contraction of its sphere of international influence. "Caspian oil is the best instrument to be used to bring Central Asia and the Transcaucasus to the world markets geo-economically, to detach them from Russia and to eliminate, for all times, the possibility of post-Soviet imperial reintegration."⁵

The aim is not so much "to detach" as to establish control over the region. The American press is quite open about it. In an article entitled "The Next Oil Frontier," *Business Weekly* wrote: "American soldiers, oilmen, and diplomats are rapidly getting to know this remote corner of the world, the old underbelly of the Soviet Union and a region that's been almost untouched by Western armies since the time of Alexander the Great. The game the Americans are playing has some of the highest stakes going. What they are attempting is nothing less than the biggest carve-out of a new U.S. sphere of influence since the U.S. became engaged in the Mideast 50 years ago."⁶

It was there that the oil "majors" and their money came into play: they paved the way for American officials. Nearly all the largest oil companies (Chevron Texaco, Exxon Mobil, BP, and Halliburton) have been investing heavily: in the last five years, American investments in Central Asia and the Caspian have grown from "trifles" to \$30 billion (the bulk of the money went to oil-rich Kazakhstan). Suffice it to say that the U.S. created the special post of U.S. State Department Special Representative, Caspian Basin Energy Diplomacy with an ambassadorial rank to speak officially in the name of the United States.

Real policy-making is going on in the upper echelons of power. Back in 1998, Vice President Dick Cheney, then one of the central figures in investing American billions, said that he could not think of another region that had become as strategically important overnight as the Caspian.⁷

In *The Grand Chessboard*, Brzezinski did not rule out the possibility of a clash for world domination between America and China; in this hypothetical case the U.S. might use Central Asia as a Western toehold for bringing about China's collapse (taking into account the proximity of Xinjiang).

This explains the opposition to the Kazakhstan-China oil pipeline; Washington is becoming increasingly concerned over the possibility of the larger part of Caspian oil being sold in Asia (China and India), which are building up energy consumption and developing into America's serious rivals. There is the opinion in Kazakhstan that America, which does not want an alternative to the Baku-Tbilisi-Ceyhan pipeline, is behind the protracted talks on the Chinese project. Russia is accused of the same, without much justification however. The idea of an Extended Great Silk Road, a transportation corridor from Xinjiang to Punjab via Kashmir to be used for liquid energy fuels, is another stumbling block.⁸

Europe Adjusts to the Changes

The EU policies in the region have been taking shape in the new post-Soviet geopolitical situation. In fact the EU members are pursuing the same aims as all other big states (the U.S. Russia, and China), yet some of its aims are very specific. The Europeans want to control the energy resources of Central Asia and, to an even greater extent, the Transcaucasus; at the same time, they are more in-

⁵ *Ekspert*, No. 41 (441), 1 November, 2004.

⁶ *Business Weekly*, 15 May, 2002, available at [http://www.businessweek.com/magazine/content/02_21/b3784008.htm?chan=search].

⁷ See: Supplement No. 43 (2412) to *Kommersant* (14 March, 2002).

⁸ See: *Ekspert-Kazakhstan*, 5 February, 2004.

volved (even compared with the United States) in the struggle against the mounting threats: intensified drug trafficking, illegal migration, social tension, encroachments on democracy, and radical militant Islam.

Despite the common strategic line, much lauded in the West, America and Europe are pursuing their own aims. Two EU leaders—Germany and France—have already concluded that the EU should increase its geopolitical weight in Eurasia—an intention best illustrated by confrontation over Iraq in 2002 and 2003.

We cannot exclude the fact that the mentioned demarche, like Europe's subsequent active involvement in this part of the world, was a response to America's strategic gains in the region. The American operation in Afghanistan and the U.S. military bases in Central Asia in 2001-2002 deprived the EU of the geopolitical initiative it began acquiring at the turn of the 2000s. Recently, the European policies in Central Asia, the Caspian, and the Caucasus have been criticized. According to the two biggest authorities in this sphere—Alexander Rar of the German Foreign Policy Council and N. MacFarlane of Oxford University—the European Union has missed the boat with respect to Central Asia. While the Europeans were taking orders from the Americans, trying not to offend Russia, and respecting its lawful interests in the region, the European Union was squeezed out of the Great Game.⁹ European analysts are calling on European politicians to start paying more attention to Central Asia in the spirit of the EU's new strategy "Turn to Central Asia" German Chancellor Gerhard Schroeder announced in December 2001.

Russia is the EU's special problem when it comes to building European strategy in Central Asia and Kazakhstan. As distinct from Washington, Brussels is fully aware of Moscow's lawful rights in the region. It is prepared to recognize Russia's special role there, particularly in the security sphere, as well as in trade and economic relations and energy. Europe cannot but take into account the fact that Russia delivers one-fifth of the gas and one-sixth of the oil consumed by the EU members.

The EU was very critical of America's active involvement in promoting the BTC pipeline, mainly because the oil delivered to Ceyhan (Turkey) would never reach Europe: experimental deliveries confirmed that the Mexican Gulf and Ceyhan oil terminals could serve ocean-going tankers, which meant that the Caspian oil would go to the United States.

European oil companies are among the largest players in the Caspian oil and gas projects. Early in the 1990s, the EU leaders formulated the TRACECA and INOGATE projects to create conditions for moving energy resources from the Southern Caucasus to Europe. The European Economic Commission drafted the SPECA (Special Program for the Economies of Central Asian) to till the soil for transporting energy fuels.

Today, when the United States has established its control over Iraqi oil, it is less interested in Caspian oil, no matter what American top officials are saying. At the same time, Western Europe is becoming more interested in it as an alternative to Arabian and North Sea oil. The question is: will the Old World be able to carry out large-scale energy projects on its own?

According to Kazakhstani experts, the European Union lacks the necessary geopolitical influence—a fact testified by the recent developments around Iraq and, partly, in the Caspian. Europe will not be able to protect its energy interests and resolve the problem of oil production in the Caspian and oil transportation to Europe without America.¹⁰ The same applies to Europe's economic potential: EU enlargement has caused low economic growth and many problems that will make it difficult for Europe to invest enough money in the projects.

⁹ See: *Kontinent* (Kazakhstan), No. 11 (129), 9-22 June, 2004.

¹⁰ See: *Gazeta Kz*, 3 June, 2003.

The United States, meanwhile, has formulated the idea of an East-West energy corridor that will stretch from the Caspian across the Southern Caucasus and Turkey to Europe. It will probably help resolve some of the problems arising during implementation of the TRACECA and INOGATE projects. Recently analysts pointed out that the EU has lost interest in the projects. EU officials, on their part, announced that it was for Russia and the EU to discuss oil and gas transit from the Caspian. The Americans obviously did not like the idea: the American press is obviously concerned about Russia becoming the main transit country; there is the opinion that America and certain Eurasian states should be invited to join the dialog.

The gas conflict between Russia and Ukraine, during which Ukraine stole gas intended for Europe, forced the Europeans to readjust their ideas about Central Asia and the transit routes. The problem has been aggravated by the general situation on the gas market.

According to the heads of E.ON Ruhrgas, in the next two years Western Europe will have problems with gas deliveries. "Gas will become a deficit," say the Ruhrgas spokesmen. The situation will improve when two large-scale infrastructure projects (involving Russia and Norway) are completed: the North European gas pipeline and another gas pipeline from Norway to Great Britain, as well as the commissioning of objects using liquefied natural gas.

Still, according to expert assessments of the long-term perspective, the situation with gas deliveries to Europe will remain tense. After 2015, EU members (the Netherlands, the U.K., Denmark, and Germany) will extract much less gas, while demands will continue to grow at a fast pace.

In fear that the project might fail, European energy concerns are extending their long-term contracts with Gazprom: annual gas consumption in Europe is rising. The U.K. alone, Europe's largest gas consumer (94 bcm in 2005), doubled its household consumption, the inflated prices failing to check the rise. Last winter, 1,000 c m of gas cost \$1,200 on the wholesale market, while Gazprom continued selling gas under its long-term contracts for \$250-270 on the continent.

Gas production in Europe is steadily declining; Norway, which is increasing production by 10 percent every year, cannot fill the gap formed by the drop in gas production in the British sector of the North Sea and the Netherlands. In 2005, the two countries produced 14 bcm of gas less than in 2004; since 2000, Great Britain has lost 20 percent of gas production on its territory; this is not the bottom—the U.K. will ultimately find itself among the energy-deficit countries.

At the same time, Europe, fully aware that Gazprom deliveries depend on Turkmen, Uzbek, and Kazakhstani sources, is trying to create alternative delivery routes for Central Asian gas.

The "threat of gas blackmail" by Russia campaign revived the talks about a "trans-Caspian gas pipeline" laid along the bed of the Caspian to bring gas to Europe bypassing Russia. In May 2006, Vice President Dick Cheney, a former oil magnate, visited Kazakhstan. On the eve of his arrival, he delivered a speech in which he accused Russia of manipulating energy resources. He insisted that President Nazarbaev promise to export gas through the trans-Caspian pipeline when (and if) it was commissioned. Soon after that the Kazakhstani president visited Vladimir Putin at his summer residence on the Black Sea coast where the two presidents reached an agreement to cooperate in oil production on three shelf fields and in the military sphere. The two heads of state signed a long-term contract under which Gazprom continued handling gas produced in Kazakhstan.

Early in September 2006, Polish Premier Jarosław Kaczyński announced that on 12-16 September he planned to visit Washington to discuss a trans-Caspian gas pipeline from Central Asia to the EU bypassing Russia. According to the *Rzeczpospolita* newspaper, the Polish authorities were prepared to provide long-term lease of land for an American missile base (an element of the U.S. anti-missile defenses) in exchange of \$5 billion for the gas pipeline project. Ukraine might follow suit.

On 8 September, President Iushchenko announced that he had discussed a new concept of the transit of Caspian gas to Western Europe (bypassing Russia) with President of Azerbaijan Aliev. "Gas

deliveries from the Caspian area via the Caucasus and Ukraine to West European countries is an interesting project. We have reached certain agreements, will set up an initiative group, and will create corresponding political categories and initiatives related to the project,” said the Ukrainian president.¹¹

In May 2006, President Putin agreed on the Kazakhstani price of \$140 per 1,000 c m (the old price being \$65) in exchange for dropping the idea of gas pipelines bypassing Russia. The issue is still being actively discussed in Kazakhstan at the cabinet level, but Turkmenistan is the only country able to supply the necessary amounts. Gazprom will obviously have to pay for “freezing” the project by buying Turkmenian gas for \$100 per 1,000 c m. After signing the historic contract, President Niyazov hastened to announce: “We shall sell gas primarily to Russia. You should not believe that Turkmenistan plans to move elsewhere with its gas. We are not prepared to discuss the trans-Caspian pipeline.”

A fully-fledged European strategy in Central Asia and the Caspian will be formulated later; it will probably address geopolitical issues using economic methods, which means that the EU will try to somewhat restrain the geopolitical passions fanned by the United States. On the other hand, the Europeans will probably revise their Russian policies by making it much harder to defend their own interests in Central Asia and the Caucasus. The EU will try to step up its political influence there to draw local resources to the world market. This time, America, not always pleased with Europe’s involvement in strategically key regions outside the Old World, will support Europe: it, too, needs diversified energy sources. Russia so far has managed to defend its interests at the WTO talks, within the Energy Dialog and in the sphere of oil and gas production and transportation. It seems that the accelerating state “dirigisme” in the Russian fuel-and-energy complex, no matter how negative, will at least fortify Russia’s position in the energy sphere abroad. Europe will have to adjust itself to Russia’s plans and interests (when they finally become absolutely clear).

China: “Trip to the West”

China’s interests in the Caspian are clear and absolutely predictable. Lack of raw materials (energy resources in particular) might check its splendid economic advance as the last Congress of the Communist Party of China warned. According to the leading world experts, by 2010 China will import up to 120m tons of oil every year, twice as much as in 2002. By that time, the Central Asian countries plan to extend their oil production on the Caspian, while the Gulf zone, the main source of China’s oil exports, will become even less stable.

The conclusion was a pragmatic one: reliance on oil imports and direct involvement in oil production abroad. There is information that China elaborated two strategies: southern (Southeast Asia) and northern raw material zones (Russia, the Caspian, and Central Asia). Confronted with rigid opposition from the United States and other developed countries, Beijing looked at other corners of the globe; today Chinese oilmen are active in Western Africa. In the past few years, Chinese oil companies have become actively involved in foreign projects: the China National Petroleum Corp. (CNPC), the key oil player, has been working in Venezuela, Sudan, Iraq, Iran, Peru, Azerbaijan, Kazakhstan, Uzbekistan, and Turkmenistan. According to Western sources, the corporation has invested up to \$40 billion all over the world.¹²

¹¹ See: “Ukraina pustit gaz v obkhod Rossii,” *Kommersant*, 9 September, 2006.

¹² See: *The Financial Times*, 17 November, 2004.

Chinese companies are especially active in two adjacent regions—Central Asia and the Caspian. Irrespective of the form of ownership, Chinese companies always coordinate their moves with national state agencies, therefore their contracts always correspond to Beijing's policies in any given region.

China's obvious desire to diminish its dependence on Mideastern oil deliveries is explained not only by the region's obvious instability, but also by the threat that Taiwan and the United States will close the Strait of Malacca for oil transit. Beijing is working hard on encouraging its oil-rich neighbors to lay pipelines in its direction.

Given the above, the oil pipeline from Kazakhstan to Western China is of vital importance; it will become even more important if Azerbaijan and Turkmenistan join it. China is prepared to build a huge oil refinery in Urumqi (Xinjiang) to process Kazakhstani oil before moving it to the industrialized eastern coast.

China has stepped up its involvement in the gas sphere, too; in fact, its efforts to find a niche for itself in Turkmenistan, Kazakhstan, and Uzbekistan are undermining Gazprom's monopoly on export gas pipelines leading to Europe.

It looks as if the Central Asian countries are trying to set up a large-scale export project for the East that will leave Russia in the cold. As distinct from Azerbaijan, which placed its stakes on the Western market (Asia Minor and Europe), the gas-rich countries of the Caspian's eastern coast plan to export their fuel to China.

Early in April 2006 Ashghabad, and Beijing signed an agreement on annual deliveries of 30 bcm of gas for the next 30 years, starting in 2009. They will use a new pipeline. The deal was predated by a revived project of a gas pipeline between Kazakhstan and China of the same capacity, as well as the Chinese projects in Uzbekistan. The centerpiece of these activities is an agreement between Moscow and Beijing on annual deliveries of no less than 60 bcm of Russian gas to China. Part of the amount will compete with Caspian exports—a sure sign of another round of the Great Energy Game.

Under the agreement with Turkmenistan, China will buy gas at the border and build the pipeline itself; the arrangement is identical to that between Kazakhstan and China, which will pay for the gas pipeline between Makat and Alashankou.

China plans to be involved in gas production in Turkmenistan: a production sharing agreement for the right bank of the Amu Darya will be signed in 2006.

China has similar plans in Uzbekistan: in May 2005, the CNPC set up a JV with the Uzbekneftegaz to work on the Ustiurt Plateau, in September it joined the Aral Zone consortium working in a gas-rich area with over 2 tcm of gas.

Marian Abisheva, deputy director of the Kazakhstan Institute of Strategic Research under the President of Kazakhstan, said in April 2006 that her country and China were working on three alternatives of gas delivery to China: first, extension of the already functioning pipeline Bukhara-Tashkent-Almaty to Taldy-Kurgan and further on to Alashankou on the Chinese border; second, a new gas pipeline from Ishim in Russia to Astana and further on through Karaganda to Lake Balkhash and the Chinese border (Alashankou). This alternative was obviously intended for Russian and Kazakhstani gas; third, a new main gas pipeline from Chelkar via Kzyl-Orda to Shymkent, where it will be linked to the Bukhara-Tashkent-Almaty pipeline.

Gas from Uzbekistan, Turkmenistan, and Kazakhstan will be moved by the recently built West-East pipeline between Xinjiang and Shanghai. The Chinese have opted for funding both the production and transportation infrastructures in Central Asia, thus diminishing the local governments' risks in mastering new markets. In other words, China intends to re-channel the Central Asian fuel flows from the west to the east and to deprive Russia of its influence in the Central Asian gas sphere.

Being active in several directions, China is obviously tightening its grip on the region; its recent economic achievements provided it with economic and financial tools to support its political claims. Russia's position, on the other hand, is ambiguous, to a certain extent: Beijing, Moscow's strategic partner, has turned into an obvious and extremely successful rival in the zone of Russia's direct geopolitical and economic interests. It was from the position of a strong regional (in this case) power that the suggestion of creating a free trade area within the SCO was made. This is confirmed by the support extended by Astana and Tashkent. The Russian Federation, which for many years has been talking about multipolar international relations, is facing a choice: either to abandon its claims to domination in the CIS or to work harder in this direction. It seems that Moscow opted for the latter.

India is Moving onto the Scene

According to the leading world agencies, oil consumption in India will outstrip its GDP growth by 1-2 percent; while its demand for natural gas will grow even faster, by 3-4 percent. This means that in 2006 the state will import 70 percent of the oil it consumes; in the next 15 years, the share will grow to 85 percent, while during the same period gas demand will increase from 100 bcm to 400 bcm (the country's own annual production being about 33 bcm).

India's oil reserves are low, while oil production is limited. Today, 80 percent of imported oil reaches India by sea from the Middle East and the Indian offshore platforms. According to local analysts, India's fast population growth and dynamic economy will force it to spend over \$20 billion on oil imports in 2010 since it has practically exhausted its local fuel resources.

The country, which came late to the worldwide "division of the resources," opted for the Chinese alternative: the two countries are competing all over the world to acquire rights to oil and gas production and import. According to the local press, the largest Indian company, Oil and Natural Gas Corporation, is increasing its presence in the Soviet successor states (primarily Russia), Sudan, Angola, Vietnam, Burma, West Africa, and elsewhere at a fast pace. Since 2000, the company has already invested \$3.5 billion in prospecting and extracting fossil fuels abroad; its extensive activities testify that India is working hard to achieve energy security.

The fast growing national economy has pushed the country into the Caspian fray. A consortium of the country's major oil players—the Indian National Oil and Gas Corporation, the Indian Oil Company, and the GAIL Company—intend to buy 20 percent of the shares in one of the region's marine projects (Kurmangazy/Kulalinskaia). Kazakhstani geologists assessed its forecasted reserves at 1 billion tons; the site saddles the Russia-Kazakhstan border and, under an intergovernmental agreement, should be developed jointly in equal shares. The two countries are represented by public companies, KazMunaiGaz (Kazakhstan) and Rosneft (Russia), with two smaller partners, Zarubezhneft of Russia and Total of France, which has not yet registered its rights.¹³

India has certain interests in the Caspian transport fuel-related sphere: the North-South corridor, which connects the ports of Mumbai (India), Bandar Abbas-Bandar Amirabad (Iran), Anzali (Iran), the Caspian Sea, port Olia (Astrakhan, Russia), and St. Petersburg, is an alternative to the already functioning routes. So far there are no plans for pipeline projects, but Russia, India, and Iran as well as other Caspian players (Kazakhstan and Turkmenistan) intend to invest in it.

¹³ See: *RusEnergy*, 5 November, 2004.

Delhi is showing a lot of interest in the plans to export Kazakhstani oil along the Kazakhstan-Iran-Persian Gulf main pipeline: local experts are convinced that the volume of oil exports from Kazakhstan will increase and transportation costs will decrease, which will allow India to meet its domestic requirements. In February 2005, Indian Petroleum and Natural Gas Minister Mani Shankar Aiar discussed with Kazakhstan the possibility of his country's involvement in developing oil and gas fields in Kazakhstan. The Oil Ministry is convinced that Iran, as the sides' strategic partner, will not object to the planned main pipeline.

India, a newcomer to the highly competitive Caspian resources scene, has every reason to expect that its interests will be taken into account: its advance into the group of the world's economic leaders was very impressive. Its relations with Russia have a long and positive history, which suggests that the two countries might form a bloc to compete with other rivals for a "place in the Central Asian sun." Russia will naturally have to take Indian interests into account in the spirit of the multipolar world conception.

Japan's Interests in the Caspian

Recently Tokyo has started paying more attention to Caspian oil partly because of the persisting high fuel prices that made it highly profitable to extract hydrocarbons and attracted more investments (from Japan as well as from other countries) into production and transportation. In 2003, it became clear that Japan was recovering from a prolonged economic recession, which revived the urgency of gaining access to new sources of strategic resources as a condition of sustainable economic growth. According to the U.S. Energy Information Administration, by 2020 Japan will consume 320m tons of oil compared to 280m in 2001 and will import 100 percent of the required amount.¹⁴

The Japanese import 55 percent of hydrocarbons (85 percent of oil) from the five largest Mideastern oil suppliers (UAE, Saudi Arabia, Iran, Qatar, and Kuwait), therefore the region's instability is their headache too. Japan has already selected Russia and the Caspian countries as substitutes.

Japanese money is actively involved in western resource development projects: Japanese TNCs are present in four out of 15 production sharing agreements in Azerbaijan; since 1993, they have also been involved in the coastal fields of Kazakhstan as part of the Offshore Kazakhstan International Operation Company (OKIOC) engaged, on a production sharing basis, in exploration drilling in Kashagan and Kerogly (with estimated total reserves of 38 billion and recoverable reserves of 9 billion barrels). The Japanese are also participating in reconstructing an oil refinery in Atyrau.

Japan's position in the Caspian is not politically tinged on the whole; it is not part of the "allied patterns" with the West. The Japanese are actively supporting (financially, among other things) the West's position. Caspian oil does not reach Japan, they engage in swap transactions—the distance between the production and consumption sites is too great. This explains Japan's pragmatic approach to the Caspian: protection of the interests of its companies involved in oil production in this corner of the world. The Japanese, engaged in a complicated game over the East Siberian resources spearheaded in the final analysis against China, do not want to irritate Russia. For this reason Japan cannot be described as the U.S.'s and EU's unreserved ally in the intrigues on the "Caspian chessboard."

¹⁴ See: V. Iakubovskiy, "Perspektivy stanovleniya mnogostoronnego energeticheskogo sotrudnichestva v Severo-Vostochnoy Azii: rol Rossii," *Publikatsii Tsentra Karnegi*, available at [<http://www.carnegie.ru/ru/print/70488-print.htm>], 11 September, 2006.

Russia: A Painful Turn from Monopoly to Integration

The post-Soviet geopolitical and investment vacuum in Central Asia and the Caspian was quickly filled with Europeans, Americans, Chinese, and other nations moving ahead through the concerted efforts of the government and business. This means that Russia's position is becoming more costly and more complicated. The Russian media have developed a fondness for reproaching the authorities and business for their passivity. Here is a typical statement: "Because of the ambitions of the Caspian states and companies and its own passivity, Russia has almost missed its chance of moving to the leading position in the region's oil sphere."¹⁵ The concern is natural, but hardly justified. An analysis of Russia's recent moves shows that the government and companies have increased their regional involvement, which suggests an analogy with China. Objective factors were all-important: an excellent foreign economic situation enlarged the country's budget possibilities and added to the Russian oilmen's ambitions. It seems that geopolitics too are developing according to the golden rule: "Everything in due time."

In the 1990s, Russia could hardly prevent the division of the Caspian states' oilfields among foreign concessions. LUKoil's presence in Azerbaijan, Kazakhstan, and Uzbekistan was the best that could be accomplished. The company that controls a vast segment of the Caspian offshore geological assets created a corporate shelf of sorts that stretched to the segments of several countries. In fact, together with the five Caspian states, the company, which has recoverable fuel reserves much larger than those of Iran, can count as the sixth actor. According to LUKoil analysts, the total amount of recoverable reserves in the Russian segment of the Caspian basin is 4.5 billion tons of oil equivalent (32.9 billion barrels). In April 2004, the company alone controlled 2.75 billion tons of oil equivalent (20.1 billion barrels).¹⁶

Russia managed to preserve the most important part of the Soviet inheritance: a system of main gas pipelines still used to move the larger part of the region's hydrocarbons to the world markets, even though there are several new, more or less finished (or potentially finished) transportation projects.

In future we can expect that Russia's presence in the local oil sector will increase and that the rivals will not be quick to commission new routes. Russia will have to pay to maintain its pipelines in working condition—otherwise it risks losing its "pipeline monopoly." At the same time, bearing in mind Russia's fondness for "identifying priorities," I suggest that energy expansion in Central Asian and the Caspian should be treated as one.

Gas is one of the most promising subjects in Russia's dialog with the region's states. When its cooperation with the newly established counter-terrorist alliance was several months old, President Putin made public his new approach to the rapidly increasing American military presence on Russia's southwestern borders. Russia needed a Central Asian alliance of its own. By saying this the president did not mean a defensive association—he had in mind the huge local reserves of natural gas. Having called on the energy-fuel rich Kazakhstan, Uzbekistan, and Turkmenistan to agree to Russia's control over the volumes and directions of gas exports from Central Asia, President Putin indicated that the gas issue had become a priority at the highest state level.

In 2003, Gazprom acquired control over all the main gas pipelines in Uzbekistan; in April 2006, it signed a production sharing agreement with Uzbekistan for the next 15 years on developing the

¹⁵ *Ekspert*, No. 41 (441), 1 November, 2004.

¹⁶ See: *RusEnergy*, 8 June, 2004.

Shakhpakhty gas condensate field with 7.7 bcm of residual gas reserves. Gazprom announced its intention to buy 44 percent of the country's gas monopoly Uzbekistantransgaz, as well as a large part of Kazakhstan's gas pipeline system.

During the Russian president's visit to Tashkent in June 2004, LUKoil signed a production sharing agreement for the Kandym-Khauzak-Shady project (with actual geological reserves of 283 bcm) for the next 35 years. Kandym, the largest of the three fields, contains an estimated amount of over 150 bcm. The company has already announced that it was prepared to sell the extracted gas to Gazprom for further delivery to the Russian or world markets.

Other Russian companies are also active in the region: in July 2004, the Energy Intelligence Agency informed that Soyuzneftegaz, headed by former energy minister Iury Shafranik, had bought a controlling block of shares of the Uzpek company (licenses to two Uzbek gas fields twice as rich as the fields developed by Gazprom and LUKoil being its main assets).

Uzpek owns licenses for exploring and developing two blocks in the country's northwest—Southwestern Gissar and Central Ustiurt. The former is the first license agreement under which the government of Uzbekistan signed a production sharing agreement; it consists of two blocks—Adamtash with 5.5m tons of oil and Kyzylbarak with 6.5m tons of oil and 134 bcm of gas. The latter consists of two fields—Urga and Berdakh. Together they are believed to contain 400 bcm of gas; Uzpek plans to sell gas to Russia, Kazakhstan, and China.¹⁷

It is in the gas sphere that Russia's current monopoly position as the only export outlet for the Central Asian gas producers is being tested.

On 5 August, 2006, Gazprom and the government of Turkmenistan signed an agreement under which the Russian company would pay \$100 per 1,000 c m in 2007-2009. The matter concerns the purchase of 12 bcm of gas in 2006 and 50 bcm of gas in 2007-2009. This means that during this period it will pay \$6 billion more than expected—the cost of remaining in control of Central Asian exports to Europe until 2010.

The new price invited numerous comments: Gazprom, which flatly refused to pay the price asked and demonstratively withdrew from the talks a couple of months earlier, suddenly agreed to \$100 per 1,000 c m. It seems that some radical change had taken place on the world gas market. Several factors are responsible for the main actors' market behavior.

The new prices Turkmenistan and Russia agreed upon are the first sign of radical changes in the gas sphere in the former Soviet republics. So far Gazprom has been demonstrating a lot of flexibility in the favorable worldwide situation; in the future, however, rivalry will intensify and the cost of control will become even higher. While moving onto the foreign markets, the monopoly should keep an eye on domestic production, in which the situation is far from favorable. In January-July 2006, gas production increased by 2.5 percent compared with the first half of 2005; its export increased by 24.9 percent. Today, Gazprom is fighting on two fronts to preserve and extend its markets (Europe or China attacked by the Caspian gas producers) and to defend its position in Central Asia to be able to retain the level of its own export. The situation on the gas market is rapidly changing, which requires flexible and adequate responses from all the actors.

It is becoming increasingly obvious that the chances of sticking to the strategy of monopolization of export routes with the aim of bringing Caspian oil and gas to the European market are slim. It looks as if this has been finally recognized at the very top: the Russian leaders are testing a new, so-called integration approach to the Caspian issue that presupposes as diverse and as much involvement by the Russian companies as possible in the Caspian shelf development. This will probably bring more economic advantages in the form of taxes, jobs, service contracts, etc. than Russia's potential oil transit incomes.

¹⁷ See: *Vremia novostey*, 14 July, 2004.

Due to the war in Iraq, the Caspian acquired even more geopolitical weight. Today, to promote its interests in the region, Russia should pursue a strategy of large-scale investment in Azerbaijan, Kazakhstan, and Uzbekistan with the intention of establishing the Russian companies' control (or management) over as large an amount of local resources as possible. This can be done; what is more, this strategy meets the interests of Russia and other Caspian states. Delay would allow the Americans, Chinese, and Europeans to capture the market. This is what we are seeing—today the Russian companies have to pay high “entrance fees.”

The Western media are full of concern over Russia's intention to create an alliance of gas exporters. The meeting of the presidents of Russia, Kazakhstan, Turkmenistan, and Uzbekistan in Astana early in March 2002 was the first step toward an organization that would unite gas exporters. Other important players on the gas market (Iran, Algeria, Libya, Qatar, Iraq, Bahrain, and Brunei) supported the Russian initiative. Today, they account for over 16 percent of the world's crude gas exports and for nearly 40 percent of liquefied gas.

The press refers to experts when it writes that the forum of natural gas exporters founded in 2001 may soon develop into a gas OPEC of sorts with Russia as its inevitable and natural head. The process that is gaining momentum will allow Russia (which has already acquired a firm and prominent position on the world oil market) to become the central figure on the world energy scene and to impose its conditions on Europe and the United States.

To become head of the world gas market, it has to be created. So far the Gas Exporter Countries Forum (GECF) is a far cry from a “gas OPEC,” but in July 2004 at the Cairo meeting, Gazprom's deputy chairman frightened analysts by saying: “I think it is in the interests of our countries to sell gas at as high a price as possible, therefore we should stick to the right approaches and concerted policies.”¹⁸ More than that: Gazprom's head admitted that his company would coordinate all aspects of gas-related policies (prices among other things) with Kazakhstan. Having learned this, experts became even more convinced that a gas OPEC was being formed and that Gazprom would use the gas resources of its neighbors to fulfill its export obligations and make Russia a gas integrator in the post-Soviet expanse.

Stanford and Houston universities prepared a report that predicted the gas prices on the future integrated market would depend on Russia. The authors analyzed several possible scenarios.¹⁹

The gas consumers were even more concerned about two events that took place in 2006 and that might usher in a gas concern as an official structure. First, on 10 March, 2006, President Putin visited Algeria and obtained additional preferences in the form of the Russian companies' monopoly right to oil production in the Sahara. With its 1.5 billion tons, Algeria comes third in Africa after Libya and Nigeria. The details of cooperation in the energy sphere will be discussed later. Second, in mid-August 2006, Gazprom and Sonatrak, the Algerian national oil and gas company, signed a memorandum on mutual understanding that partly presupposes a joint coordinating commission in the energy sphere and permanent workgroups. Gas swap transactions will be the first result of this newly established cooperation; Algeria might use Russian gas to continue supplying Italy, while Gazprom will obtain liquefied gas from Algeria. Whereby it cannot be excluded that Gazprom will increase its deliveries. This was interpreted, particularly in Europe, as the first step toward a system of cartel price forming that involves two of the largest gas suppliers (Algeria supplies about 10 to 12 percent of Europe's gas consumption, while Russia is responsible for over a quarter of it).

Tehran's gas-related initiative offered by the president of Iran on 15 June, 2006 in Shanghai was of exceptional geo-economic importance: when talking to the Russian president he suggested that the two countries should together form the gas prices.

¹⁸ *Izvestia*, 13 July, 2004.

¹⁹ *Ibidem*.

Observers have already pointed out that by drawing closer in the gas sphere the two countries would create conditions for an influential international organization of gas producers, something that brings OPEC to mind. If the two countries link their gas pipeline systems, Gazprom will contribute to managing practically the entire Asian gas pipeline system; this is all the more real since Turkmenistan plans to join the system (the already functioning Turkmenistan-Iran gas main pipeline will link Central Asia to the system to create a gas market for Turkmenistan, Iran, Pakistan, India, and China).

The Iranian initiative means that Iran, the second most important gas-rich country after Russia, is not planning to engage in stiff competition with Moscow in the gas sphere. It has invited the Russian Federation to act together on the world's gas market, up to and including coordinated price and transportation policies. An alliance between the two countries means that they would gain control over 43 percent (75.7 tcm) of the world's proved gas reserves and would control the Eurasian and the world markets for a long time to come.

So far there are no plans for setting up a cartel—the Russian president confirmed this in Shanghai. Today, such intentions might have undermined Russia's image, which hosted the G8 forum and claimed the role of guarantor of worldwide energy security. However, there are bilateral agreements between Russia and actual and potential gas suppliers—Algeria, Libya, and Iran. These agreements might develop into effective regulators of the pipeline gas market in the interests of gas producers.

Recently, Iran, Algeria, and Libya, to say nothing of post-Soviet states, have already invited Moscow to coordinate prices and trade policies. So far the Russian president has been sticking to his Shanghai line and distanced himself from the idea. Continued and mounting resistance to the gas producers' efforts to set up a fairer and more responsible, from their point of view, system of international gas trade will inevitably increase Russia's interest in the cartel project.

A large regional gas alliance can be formed if Russia, Kazakhstan, Turkmenistan, and Uzbekistan, countries with huge gas reserves and dynamically developing production and transportation, pool their efforts and political wills. The idea is very attractive in the presence of potentially bottomless markets (India, Pakistan, China, etc.). Algeria, by moving the alliance to the super-regional level, will consolidate the negotiating positions. Russia's G8 chairmanship has left no doubts about which country will lead the still informal interstate structure. President Putin's Algerian visit, as well as its oil-and-gas results will be discussed in the context of a future gas OPEC under Russia's obvious influence.

The Common Energy EurAsEC Market

Cooperation in the energy sphere across the post-Soviet expanse is gradually developing; integration deepened together with the countries' closer economic cooperation. The EurAsEC members have never allowed this side of their cooperation to escape their attention.

They form one of the world's largest energy markets, while their aggregate fuel-and-energy potential consists of considerable hydrocarbon reserves, energy-production capacities, and a fairly large hydroelectric potential (especially in Kyrgyzstan and Tajikistan). The EurAsEC members have concentrated on developing the region's powerful fuel and energy potential; the five countries are objectively interested in it due to the inherited interconnection between their fuel and energy complexes. This structure can arrive at a single energy system; in fact the Energy Policy Council in the EurAsEC made up of the five members' energy ministers is working in this direction. Today, the relevant legal documents are being drafted on mutual transit of energy resources (including strategically pivotal oil, gas, and energy) across the EurAsEC neighbors.

The relations between Kazakhstan and Russia in this sphere may serve the graphic example of integration in the energy sphere. In recent years, the two countries have made good progress in cooperation between their fuel and energy complexes. In 2001, they restored parallel functioning of the two systems, a year later, the two countries signed an agreement on long-term transit of up to 17.5 m tons of Kazakhstani oil across Russia every year; there is a newly established joint-stock company KazRosGaz operating in the gas sphere.

The two countries have also agreed on joint exploitation of three shelf fields (Kurmangazy, Khvalynskoe, and Tsentral'noe). The already accumulated experience leads to common approaches to an agreed energy policy within the EurAsEC (which also uses cartel principles) to acquire common outlets to the foreign markets. The gas alliance issue, which would include some of the Asian countries, has been placed on the agenda.

In mid-April 2003, Almaty hosted the third meeting of the EurAsEC Energy Policy Council attended by experts from Russia, Belarus, Kazakhstan, Tajikistan, and Kyrgyzstan, which looked into the possibility of a common energy market. This idea has long been discussed within the structure. Speaking at the recent EurAsEC Economic Forum Chairman of RAO UES, Anatoli Chubays suggested that an interstate group should be set up to start working on the mechanisms of the single energy market within the EurAsEC. He went as far as saying that a common economic expanse between Asia and Europe was "a very real prospect" that would operate according to unified technological standards. This initiative was supported within the CIS, EurAsEC, and at the talks with EU.

A united energy market may provide an important integration stimulus: the task is technically feasible. Analysts are convinced that the states concerned should create a common approach to the problem, which will require time and political will.

GAZPROM AS A TRANSNATIONAL CORPORATION AND CENTRAL ASIA

Part One

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Russia occupies third place in terms of world oil supplies: it accounts for approximately 10% of the world reserves, or 27% of the oil supplies outside OPEC. In terms of oil pro-

duction, the Russian Federation is on a par with Saudi Arabia, the world leader, and in terms of oil export volumes, it is securely in second place. Russia is the absolute leader in the gas

sector: it accounts for approximately one third of the world's total reserves, one quarter of world production, and approximately 30% of world export, while its main gas transportation system has no analogies in terms of length and complexity.

The unprecedented trends on the oil markets are having a decisive influence on the nature and rates of Russia's economic growth: oil and gas export is responsible for more than one third of the revenue going into the state treasury. In 2004, the Russian Federation accounted for 10.97% of the entire world oil production. According to the forecasts of the country's government, the export of Russian oil will reach 253 million tons in 2006 and 260 million in 2007.

As a major fuel and electric energy exporter, on the deliveries of which the economy of several neighboring countries largely depends, Russia has a good opportunity to strengthen its own economic and political positions.

The main feature of Russia's foreign policy lies in the fact that Moscow is using the economy (to be more precise, energy cooperation) as a powerful tool to reach its foreign policy goals. This concerns both Russia's relations with the West and with Asian countries (China and Japan). But Russia's energy strategy is making itself known to an even greater extent in relations with the CIS countries. This factor—energy policy as a geopolitical tool—directly affects the national, economic, and energy interests of the Central Asian countries.

Russia's energy geostrategy is evolving in three main areas: Western Europe, Central Asia, and the Far East. The European vector is the central one, since it is ensuring the main inflow of revenues and forms the foundation of Russia's economic relations with the EU, giving Moscow geopolitical clout and international influence.

Central Asia, as a source of transit energy resources, occupied a subordinate position in the European vector of Russia's geostrategy. But in recent years, Gazprom's activity in the region and Moscow's aggressive energy cooperation strategy have begun to turn Central Asia into a special target of Russia's energy, economic, and geopolitical expansion.

The Far Eastern (Asian) vector is relatively new to Russia's geostrategy. This vector has not yet been sufficiently developed for geographic, financial and economic, technological, and political reasons. Nevertheless, in the future, it could occupy an independent and important place in Russia's energy strategy. It is already clear today that the Eastern vector will be a significant component of Russia's Central Asian strategy. What is more, Gazprom and other major Russian energy companies are becoming more active on markets new to them, particularly in the Middle East.

During implementation of Russia's strategy, large oil- and gas-producing companies controlled by or closely related to the state have been called upon to play the role of agents in carrying out the country's geopolitical plans. The events that unfolded in 2005 with respect to building the North European gas pipeline and relations with Ukraine showed that gas policy, and Gazprom in particular as its tool, has become one of the main factors in Russia's foreign policy strategy.

Since the beginning of the new millennium, the situation began to improve for the Russian Federation. The abrupt increase in world hydrocarbon prices and the first positive results of the structural reforms in the Russian economy began to yield their fruit. This made it possible not only to begin resolving domestic socioeconomic problems, but also think of Russia once more in its role as a great nation.

Along with the demand structure, the supply structure, which has become more diversified in the past decade, is also changing. In addition to the traditional centers of oil export, new ones have appeared: Russia, Central Asia, and West Africa. As an exporter only, the Russian Federation is rapidly exhausting its supplies, the exploration of which is being carried out at an extremely slow rate. The Ministry of Natural Resources has already sounded the alarm: according to its estimates, the supplies at most of the fields will run out in the next few years, and Russia could encounter a shortage of hydrocarbons.

This prompted the current Russian leadership to draw up a new energy resource strate-

gy, which has not been officially publicized, but has been functioning for several years now. Its gist lies in the fact that the Russian Federation is taking up the position of developed countries

and beginning to make a name for itself on the planet's raw material markets by carrying out an economic expansion policy in less developed countries.

Gazprom's Role in Russian Strategy

As mentioned above, large oil- and gas-producing companies controlled by or closely related to the state have been called upon to play the role of agents in the country's geopolitical strategy. The events that took place in 2005 involving construction of the North European gas pipeline and relations with Ukraine showed that gas policy, and Gazprom in particular as its tool, is one of the main elements in Russia's foreign policy strategy.¹

OAO Gazprom is the largest gas company in the world and a monopolist in the production and transportation of Russian gas. For the past few years, the Kremlin administration has been significantly increasing its control over Gazprom, permitting the gas concern, in turn, to reclaim part of the core assets and increase the financial opportunities necessary for resolving the designated strategic tasks.

Within the framework of Vladimir Putin's strategy, Gazprom has noticeably stepped up its activity on the foreign markets in recent years and has been steadily enlarging its presence geographically on the planet. The gas concern (and the Russian leadership on its behalf) has been showing a clear inclination toward a transfer from spontaneous and one-time undertakings to a targeted strategy on the foreign economic front. What is more, this strategy is distinguished by perceptible diversity of the actions undertaken depending on the specifics of the particular region. But the goal is the same—to carve out a niche for the Russian company in this region.

The new strategy also presupposes a new geographic vector in Gazprom's foreign policy. In addition to traditional cooperation with European structures, it is gaining increasing access to the markets of the Asian and African countries.

Gazprom's main achievement as of today is that it is the sole operator of all the gas flows from the Central Asian states. The economic benefits of this are obvious. The main principle Russia is upholding in its gas-export policy is that of sole exporter. By assuming full control over the transportation and export of Central Asian blue fuel, Gazprom has significantly expanded its export potential while keeping in mind the interests of its Central Asian neighbors.

A new vector in Russia's strategy is its striving to make use of Central Asia's hydropower potential. This is seen in Russia's (and its business's) active participation in joint water development projects.

Kazakhstan is still Russia's most valuable partner in its geopolitical and geostrategic priority system in the Central Asian Region. It goes without saying that the Russian Federation will continue to take an active and offensive stance with respect to Kazakhstan in the future.

At present, Moscow's policy in the Caspian is being carried out in the spirit of Vladimir Putin's strategic Caspian initiative. It is aimed at achieving several goals: military-political (ensuring Russia's military domination in the region), transportation and communication (implementing the South-

¹ See: I. Tomberg, "New Realities on the Oil Market and Russia's Energy Policy," *Central Asia and the Caucasus*, No. 4 (28), 2004, pp. 116-127.

North project involving India and Iran), and energy (retaining Russia's control over the transportation of energy resources).

As Russian strategists believe, due to the increasing dependence of the Caspian states on foreign capital, primarily American, and in light of the extremely limited financial resources, Russia needs to act simultaneously in three areas to protect its interests in the Caspian:

- 1) to achieve priority use of the Russian export infrastructure already in operation;
- 2) to promote Russian oil and gas companies in the region and encourage their maximum participation in the corresponding projects;
- 3) to block, wherever possible, projects that are unprofitable for Russia, taking advantage, among other things, of non-settlement of the Caspian's legal status.

According to Moscow, militarization might be delayed by the inclusion in the Convention on the Legal Status of the Caspian Sea currently being discussed by the Caspian states of the principle of the inadmissible presence of the armed forces of third countries in the region.

So while the U.S. was embroiled in its Caspian oil and Iraq affairs, and the EU in enlargement, Russia was building its Liberal Empire in a certain branch of the CIS—the gas industry. In order to fully set up this empire, Moscow needed Gazprom to carry out several intermediary tasks: acquire the Ukrainian gas transportation system on concession (for 30 years), create (under Russian conditions) a Russian-Belorussian joint venture based on the Beltransgaz Company, and sign a 25-year agreement with Kazakhstan on strategic cooperation in the gas sphere.

Russia is essentially striving to complete monopolization of the gas sectors in the Central Asian republics and then move from a “gas caliphate” to building a “gas U.S.S.R.,” after fully taking over Ukraine and Belarus, a process which has already begun. Under the present conditions, these two countries can only rely on themselves, and to ensure reliable gas supplies they must maintain control over the transit of Russian blue fuel through their territory.

Gazprom's Efficiency

In June 2005, the state established its absolute power in the monopoly: its share in the capital rose to the control level. By December, a set of laws on liberalization of the company's shares was passed through the Duma in two readings. Due to these two undertakings alone, capitalization more than doubled, from 60 billion dollars to over 160 billion. At the end of September 2005, it became known that Gazprom had purchased the Sibneft oil company. Then Gazprom began implementing two extremely large investment projects—building the North European gas pipeline and preparing the Stockman field for development. Last year, Gazprom gained direct access to the Italian market and began establishing closer ties with ENI, as well as becoming involved in the Sakhalin projects.

The fact that Alexei Miller and Dmitri Medvedev are in charge of management is immensely conducive to Gazprom's successful activity. The latter factor is an embodiment of strategic support and a manifestation of the government's will in the company's policy and forms a balance between its interests and the state's interests, while also acting as Gazprom's lobbyist at the top level and its authorized presidential representative. Without this support, it would have been impossible to initiate the liberalization of the monopolist's shares or carry out absorption of Sibneft in less than a year. It stands to reason that Dmitri Medvedev's “patronage” of Gazprom is not widely promulgated, while

its importance for the company is inestimable. Gazprom's highest leadership is striving to remain aboveboard when conducting its affairs, particularly with respect to asset transactions and economically transparent non-politicized motives in forming the company's business strategy.

On the other hand, all of Gazprom's recent major achievements would have been impossible without daily efficient work: talks with bankers about credit loans for new projects, with customers about new contracts for the purchase of gas, and with new business partners on the world markets. Nor would they have been possible without ensuring negotiations on "absorption" transactions. This is Alexei Miller's sphere of responsibility as Gazprom's chairman of the board.

But Western experts warn about Gazprom's problems. For example, the concern's fancied role as Russia's "geopolitical ice-breaker" relieves it of the need to engage in profitable management and justifies its lack of transparency. According to small stockholders, billions of dollars disappear every year without a trace. The fact that this fuel giant does not subordinate itself to the laws of the market economy is also confirmed by its restrained investment policy. Old fields are being exhausted, while new ones are being developed very slowly. Since the state began supervising the concern, oil production has risen by only 2%.

Diversification of Gazprom's Interests: Liquefied Natural Gas

The fact that Russia's significance on the world liquefied natural gas (LNG) market is currently close to zero draws attention to itself: it is not producing or consuming liquefied gas in noticeable amounts, although it has an enormous resource potential. Russian companies were either not interested in this vector or it was not pertinent for them. Russia's main producer—Gazprom—placed its stakes exclusively on developing its own gas-pipeline system, the largest in the world. Small gas-producing companies were unable to implement multi-billion projects on their own, and oil producers, also leading gas producers, did not see the point in investing vast funds in marginal business. Gazprom has been exporting its gas quite successfully via pipelines, while its appearance on the LNG market would have violated one of the company's key trading principles: Gazprom's gas deliveries should not compete with each other.

In so doing, Russia has several competitive advantages, which could have long made it, if not the leading, at least a very large LNG producer. The country has access to all the key consumers: liquefied gas can be conveniently delivered from the fields in Yamal and on the shelf of the Arctic seas to North Europe and the U.S., and the hydrocarbon supplies of Sakhalin and East Siberia are located close to Japan and Korea, the largest markets in the world. In Russia, the production of so-called combination gas is growing. This gas contains valuable admixtures, so is more expensive. Paradoxically, the harsh climate also provides perceptible advantages. In the winter, when demand for energy resources is at its highest, the processing of LNG at liquefying plants in northern regions can be 30% higher than at similar production units in equatorial regions.

But Gazprom has still been unable to gain independent access to the liquefied gas market. The difficulties are largely related to the lack of experience both in working on a competitive market, and in creating LNG production plants in general. Gazprom is making persistent efforts to join the consortium for implementing the Sakhalin project and has already reached agreements with the largest stockholder—the Shell Company—on exchanging part of its share in the project for its assets in other regions.

Gazprom also has its own project for building an LNG plant—the only realistic mid-term prospect for Russia is setting up an LNG production unit at the Stockman gas field (its supplies would be

sufficient to satisfy Europe's entire gas demand for seven years). Earlier, Gazprom suggested pumping the gas produced there via the North European gas pipeline, but delays in developing the field interfered with these plans. Now, with its help, the Russian company is hoping to find a niche for itself on the Atlantic LNG market. Total investments in the project should amount to around 20 billion dollars and the capacity of the liquefaction plant to 7.5 million tons a year. The first deliveries are planned to start in 2010-2012.

In mid-2005, the project began to take specific shape, and in the fall of 2005, Gazprom had already compiled a so-called short list of five potential foreign participants to join the consortium for developing the field. Two key partners are in the offing: one will fulfill the function of technology supplier (Norway's Norsk Hydro or Statoil could fill this role, since they have experience in building LNG facilities in Arctic conditions), and the other will be a U.S. company, which will ensure access to the North American market, the second closest after the European.

Gazprom will soon publicize the list of foreign companies to engage in the Stockman project with it. According to American analysts, the matter concerns the creation of a so-called "world gas OPEC"—GOPEC. So U.S. energy circles are beginning to put pressure on the White House to join this project.

Ukrainian-Russian Gas Crisis

After the disintegration of the U.S.S.R., Ukraine and Russia became country-symbionts in the gas sphere. Most of Russia's gas export to the Far Abroad was transited through Ukraine.

With the government's support, Gazprom began insisting on monetary payments and on a more than three-fold increase in the price of gas beginning in 2006, from 50 to 160 dollars. What is more, it has recently been talking about a price of 230 dollars and saying that in the future the price will fully correspond to the world level. Ukraine received another blow from its main partner, Turkmenistan (the percentage of gas from this country in Ukraine's total consumption amounts to approximately 45%), which announced that privileged conditions for Ukraine would be cancelled beginning in 2006. This meant that taking into account "European" transportation fees (Turkmen gas is transited via major Russian gas pipelines), the cost of Central Asian gas for Ukraine would increase approximately 1.5-fold.²

On the whole, Ukraine would have to bear the brunt of several billion dollars in additional expenses a year. The liberalization of gas relations with Ukraine promises Russia an impressive economic profit. The direct effect alone from raising gas prices, even with a significant increase in Ukrainian transportation fees, will amount to 1.3-3.2 billion dollars. At present, since gas is so cheap, the Ukrainian nitrogen fertilizer industry, which is competing directly with Russian plants, is operating at full capacity: after all, gas accounts for up to 70% of the prime cost at these plants. By using cheap Russian gas, Ukraine was able to earn money on exporting electric power to Europe and even managed to find a way to deliver excess gas there. Under the new conditions, the huge jump in price for previously cheap fuel will deprive the energy-intensive Ukrainian economy of this competitive advantage forever and free up part of the market for Russian business.

Gazprom saw creating a joint gas transportation consortium as an effective way to overcome the disagreements. This was to be a structure in which Russia, Ukraine, and possibly Germany could manage

² See: *Ekspert* No. 45 (491), 28 November, 2005; No. 47 (493), 12 December, 2005; No. 49 (495), 26 December, 2005.

Ukraine's gas pipelines on parity terms. A similar model operates in Gazprom's relations with Belarus. But, for political considerations, in January of this year, a compromise agreement was reached that was more advantageous for Kiev. All the same, Gazprom emerged from the Ukrainian crisis with a stronger reputation in the eyes of its European partners, which can be evaluated as a strategic achievement.

Gazprom achieved its main goals during the crisis: ensuring deliveries of gas to the West European market and control over financial flows (including by means of Turkmen gas). This was the main reason for the compromise with the Ukrainian side. As early as April 2006, similar methods were used with respect to Belarus.

Gazprom and Central Asia

Gazprom's actions (with the support of the Kremlin) looked different in Central Asia, which is a potential resource base for Moscow's energy strategy.³

In recent years, Russia's largest oil and gas companies have had a keen eye on Central Asia and been developing cooperation with the region's republics in different formats and with different degrees of success.

In April-May 2003, Russia signed several strategic long-term energy agreements with Turkmenistan, Uzbekistan, Kyrgyzstan, and Tajikistan. All four transactions signed were intended for 25 years and envisaged resolving a wide range of problems, in particular: gas export, joint development of oil and gas fields, laying pipelines, and modernizing outmoded equipment in the region's republics.

The top priority task in Russia's fuel and energy expansion is to create an integrated water and fuel-energy complex in Central Asia (under Russian management). One of the possible ways to carry out this task is to include Tajikistan in the water-energy consortium being created. The Rogun Hydro-power Plant—the most powerful in the region—is currently being built in this country. Gazprom will participate in reconstructing and building major gas pipelines, compressor stations, and other infrastructure facilities for Kyrgyzstan's gas complex. It is very possible that Gazprom's main activity in this undertaking will be transiting gas to other countries (China).

Russia's goal is clear: it wants to strengthen its position as Turkmenistan's main partner in the energy sector and, in so doing, maintain control over the export of Turkmen gas. Ideally, Russia would like to control Turkmen gas in order to guarantee large-scale investments. Today, Turkmenistan is Russia's private ward. Russian-Turkmen relations are being built on Russia's management of Turkmen gas assets through Gazprom.

The most striking example of Russia's strategy is Gazprom's actions in the region. This company is trying to establish control over the gas flows between Uzbekistan and Kyrgyzstan, as well as between them and foreign markets. In so doing, it is more advantageous for Uzbekistan to sell gas previously intended for Kyrgyzstan to Gazprom. Even though the details of the agreement signed with Kyrgyzstan are not being revealed, it is obvious that the interests of the Russian gas giant in this republic are not related to gas production. The transit of gas through Kyrgyzstan to other countries will become an important factor, since this republic directly borders on China. It is known that Gazprom

³ See: M. Karayianni, "Russia's Foreign Policy for Central Asia," *Central Asia and the Caucasus*, No. 4 (22), 2003, pp. 90-96.

and the PRC have been considering the possibility of delivering Russian gas to China for several years now. One of the main issues at these talks is the export route for Russian gas. One option is for it to pass through Kyrgyzstan, so it is clear why Gazprom intends to carry out major modernization of the republic's gas transportation infrastructure.

Today, the growth rates of production, which means of gas export as well, from the Central Asian countries is much higher than the rates of modernizing and developing their gas transportation systems. But the main gas artery from the region's states to Russia—the major gas Central Asia-Center pipeline—is currently operating to its limit. This relates to all three gas transportation countries: Turkmenistan, Uzbekistan, and Kazakhstan.

Kazakhstan: Rival or Partner?

Russian strategists have an ambiguous view of the expansion of energy cooperation between the Republic of Kazakhstan and China. According to Russian experts, the appearance of a new player—Kazakhstan—is introducing a certain intrigue into the situation, but they say this development of events should not be evaluated as negative.

As we know, Astana is hoping to become one of the world's largest producers of "black gold" in the next ten years. By 2010, it intends to reach a production level of 100 million tons, and by 2015 of 150 million. These ambitious plans are based on Kazakhstan's high potential in this sphere. According to Russian data, our total hydrocarbon resources are officially estimated at 25 billion tons of oil equivalent, 8 billion of which can be considered recoverable resources: confirmed oil reserves amount to 3.6 billion tons.

An increase in the throughput capacity of the Atyrau-Samara pipeline and export of oil through Russia is opening up a promising sales market for Kazakhstan, which Europe is for the country. According to experts' forecasts, by 2010, Central and Eastern Europe will import around 80 million tons of oil a year. The total length of the Caspian Pipeline Consortium (CPC) pipeline is 1,580 km and its initial throughput capacity amounts to 28 million tons a year. In so doing, a maximum throughput capacity of 67 million tons of oil a year is achieved (45 million of this amount goes to Kazakhstani oil producers).

In the next forty years, the CPC will be a stable source of revenue for stockholders. According to the estimates, during operation of the pipeline, approximately 23.3 million dollars will go into Russia's federal and regional budgets in the form of revenue and profit; Kazakhstan will receive approximately 8.2 billion.

Russian analysts pointed out that the KazMunaiGaz Company was initially willing to finance the construction of a third stage in the Atasu-Alashankou section of approximately 1,300 km in length.

Russian experts believe that the oil pipeline to China will only be economically profitable, if at least 20 million tons of raw material are pumped through it a year (at present, the new section of the pipeline can only pump 6 million tons). So Chinese companies are stepping up their efforts to obtain new fields in Kazakhstan. If experts' forecasts regarding the deposits in Kazakhstan's part of the Caspian are confirmed, this oil could be used "to fill the Chinese route;" then the throughput capacity of the pipeline would also increase.

Russian experts believe that Beijing's willingness to finance the laying of a pipeline from Kazakhstan was to show that there was an alternative and was a way of responding to the Russian government's tardiness in choosing a route for the pipeline.

When discussing the competition coming from Kazakhstan, Russian experts could not help but raise an important practical question: does the country have enough oil to “fill the Chinese route,” if we keep in mind Astana’s involvement in transporting oil via other pipelines (the CPC, Atyrau-Samara, and BTC)? When analyzing the republic’s export potential, that is, keeping in mind domestic oil consumption (in the next decade it will fluctuate at around 10 million tons a year), it transpires that in 2010, Kazakhstan will be able to export no more than 100 million tons. According to Russian experts, this is not enough to fill the existing pipelines, never mind those still under construction. In the next ten years, Kazakhstan will not need to create new transportation capacities, since in 2010, it will have a surplus of about 10 million tons a year.

So Russian analysts came to the conclusion that if we ignore its political ambitions, Kazakhstan does not have the economic feasibility (or need) to compete with Russia in the Chinese vector. What is more, Russia has the prospect of transferring energy cooperation between Astana and Moscow into the channel of strategic cooperation. Pipeline branches to China will make it possible to “open up” an additional alternative for pumping oil to China: first via the currently idle Omsk-Pavlodar-Chimkent pipeline, and then via the Kazakhstan-China route.

During President Nursultan Nazarbaev’s visit to Moscow (in April 2006), this logic was affirmed: the Russian side confirmed its participation in the Kazakhstan-Chinese pipeline.

Kazakhstan and Gazprom

Resource-rich Kazakhstan, which is steering a course toward attracting as many investors as possible and is considered one of Russia’s main partners in the post-Soviet space, is still the most attractive Central Asian republic for Russian companies.

Foreign companies that planned to participate in tenders in 2004 under new projects in the Kazakhstan sector of the Caspian Sea expressed their concern about the tougher tax conditions in the industry. Rosneft was one of the dissatisfied companies, which planned to begin implementing a joint Caspian project with Astana called Kurmangazy as early as 2004. Despite the objective difficulties, Russian companies are still hoping to find a niche for themselves on Kazakhstan’s promising energy market.

Since 2004, Gazprom has been showing greater interest in the Karachaganak project and clearly does not want to let such large volumes of natural gas slip through its fingers. Gazprom suggested that Kazakhstan create a joint venture with it based on the capacities of the Orenburg Gas Processing Plant, after expressing its willingness to transfer several units capable of processing 8-10 bcm of gas a year, two pipelines already extended from the field to the Orenburg GPP, and other necessary technical equipment to this joint venture. It was presumed that Gazprom was also willing to offer Kazakhstan parity participation in the joint venture. However, all that is needed to develop the necessary volumes of Karachaganak gas and condensate at the Orenburg GPP is to increase its capacity slightly, while construction of a new plant on the field itself will cost much more and take much more time. According to the estimates of Gazprom’s specialists, this construction would require around 1.3 billion dollars, while only 300 million are needed to increase the capacities at the Orenburg GPP.

Nevertheless, Gazprom is planning to become a stockholder of Kazakhstan’s gas transportation system (if it is sold). According to the company’s deputy chairman of the board, A. Ryzanov, this is advantageous not only to Moscow (which means to Gazprom as well), but also to Astana.

So, strategically, the views of the Russian monopolist and Kazakhstan coincide. Like Astana, Gazprom is interested in increasing the throughput capacity of the Central Asia-Center route (45-50 bcm a year), since, in 2003, the concern entered a long-term contract with Ashgabad, planning to bring purchases of Turkmen gas up to 70 bcm by 2007. In 2004, Gazprom announced that it intends to invest more than 1 billion dollars in developing Uzbekistan's fields.

Gazprom's strategists are mainly concerned that if Kazakhstan really does greatly increase its gas production volume, Astana will again raise the question of having to make room for Gazprom at the export pipeline to Europe. At present, the export of Kazakhstani blue fuel abroad is limited to around 6.5 bcm a year, whereby only part of this gas goes to Europe (the rest goes to the Omsk Gas Processing Plant).

Gazprom holds that this system is entirely workable, and Russia will hardly agree to increase the export of Kazakhstani gas via Russian gas pipelines, since this could be detrimental to the export of Russian blue fuel.

Uzbekistan's Oil and Gas Complex and Russia

The Republic of Uzbekistan has well-developed and sufficiently powerful flowline and main gas pipelines, which make it possible to transport fuel to consumers within the republic and abroad. The total length of the main gas pipelines is 12,660 km, and they are served by 25 compressor stations. In the northwest, separate sections of powerful gas transportation systems were laid intended mainly for transit gas deliveries: these are the Central Asia-Center and Bukhara-Ural lines. A distinguishing feature of Uzbekistan's gas transportation system is that it is of interstate significance. Neighboring republics—Kazakhstan (the southern part), Kyrgyzstan, and Tajikistan—are supplied with Uzbek gas. What is more, Turkmenistan uses it for exporting its gas. It is presumed that by 2010, the total volume of commercial gas deliveries via the Uzbekistan gas transportation system will increase to 70 bcm.⁴

Uzbekistan occupies third place among the East European states and CIS countries in terms of explored supplies of natural gas, and fourth in terms of liquid hydrocarbons. Its total potential resources amount to more than 5,300 million tons of oil, 480 million tons of condensate, and 5,095 bcm of gas. At present, oil production is being carried out at 51 fields, gas production at 27 fields, and condensate production at 17 fields. A total of 123.9 km of main gas pipelines have been put into operation by Uzbekneftegaz enterprises. They include the Gazli-Kagan gas pipeline of 68.6 km and a gas pipeline-shunt from the Syr Darya State Regional Power Station of 18.4 km in length. Production drilling has been carried out and 22 and 17 wells for oil, and 16 and 11 wells for gas have been linked to these pipelines, respectively.

The Uzbekneftegaz National Holding Company (NHC) is carrying out modernization of gas-filling stations within its structure at a total cost of approximately 100 million dollars. There are plans to reconstruct the existing and build new gas-filling stations operating on liquefied gas and belonging to the Uznefteprodukt Joint-Stock Company.

Uzbekistan's strategic task is to actively attract foreign investments not only into geological exploration and gas production, but also into gas processing. The main project in this area is the Shurtan chemical gas complex, construction of which began in 1998. It is based on the Shurtan group of low-sulfur gas fields recently put into operation—South Tandyrycha, Adamtash, and Gumbulak, the

⁴ See: D. Faizullaev, "Gazovyi potentsial Uzbekistana i Turkmenistana," *Azia i Afrika*, No. 9, 2004, pp. 13-18.

gas from which is characterized by a higher concentration of valuable light hydrocarbons—ethane, propane, and butane, as well as so-called aromatics—a valuable raw material for obtaining many petrochemical products. When this complex went into operation in 2002, the opportunity arose for purifying all the gas extracted at the Shurtan and neighboring fields and pump it through the Shurtan-Syr Darya-Tashkent gas pipeline. In terms of polyethylene production, the complex reached the planned level of 125,000 tons a year in 2002.

Oil and gas condensate production in Uzbekistan dropped to 6 million tons in 2005 compared with 7.3 million tons in 2002, and gasoline and diesel fuel production to 3.2 million tons compared with 3.5 million tons. But the demand for gasoline and diesel fuel has been increasing by approximately 5% every year and, by 2005, there was shortage of almost 700,000 tons of gasoline and 600,000 tons of diesel fuel. The decrease in oil and petroleum product production is related primarily to depletion of the fields in use, as well as to a slowdown in the rise in technical level of geological survey production.

Russian analysts note that in isolation from neighboring countries—Turkmenistan and Kazakhstan—capital investment in Uzbekistan's gas industry might be inefficient due to the republic's distance from the sales markets. Nevertheless, Russia is establishing economic cooperation with Uzbekistan: the Russian Federation occupies first place in the Uzbek economy in terms of trade turnover, which amounted to more than 1 billion dollars in 2003. There are more than 200 joint enterprises operating in the republic, and such large concerns as Gazprom, LUKoil, Wimm-Bill-Dann, the Cherki-zov Agroindustrial Complex, and others are successfully carrying out business.

In July 2001, the project participants signed a contract on the Main Principles and Provisions of the Production Sharing Agreement at the Bukhara-Khiva and Gissar Fields of the Oil and Gas Regions. According to the contract, LUKoil and Itera will receive 45% of the produced gas each, and Uzbekneftegaz will receive 10%. Russia is confident that Uzbekistan will be its reliable economic partner for at least the next 30-35 years. This is the term of a long-term gas contract signed in June 2004. A consortium of investors is being created: 90%—LUKoil and 10%—the Uzbekneftegaz National Holding Company, which is carrying out exploration and production of hydrocarbon supplies in southwest Uzbekistan under production sharing conditions. Capital spending (LUKoil will bear the main brunt) comes to around 1 billion dollars and, in the future, production volume will amount to 8.8 bcm of gas a year. Most of this amount will be purchased by Gazprom's structures.

The Final Production Sharing Agreement under the Kandym-Khauzak-Shady Project was signed in June 2004 during Vladimir Putin's visit to Uzbekistan. LUKoil and Uzbekneftegaz joined the consortium in its final form. It was decided not to involve the Itera Company, which specializes in the transportation of gas and oil, in the project, since in 2002, another Russian company, Gazprom, acquired the right of system operator of the main Central Asia-Center gas pipelines in Uzbekistan.

In December 2002, the Uzbekneftegaz and Gazprom companies signed an Agreement on Strategic Cooperation until 2012. In keeping with this document, Uzbekneftegaz and the Zarubezhneftegaz closed joint-stock company (created in September 1998, 60.1% of the shares belong to Gazprom, 24.9% to Zarubezhneft, and 15% to Stroi-transgaz) signed a Production Sharing Agreement in Tashkent on 14 April, 2004 on an investment project called Development Completion of the Shakhpakhty Field in the Ustiurt Oil and Gas Region. It was opened in 1962, and its supplies are estimated at 39.9 bcm of gas. At present, the recoverable deposits amount to some 8 bcm. But in February 2002, production had to be halted due to high wear-and-tear of the equipment.

According to the conditions of the mentioned agreement, Zarubezhneftegaz is investing more than 15 million dollars in modernizing the field's infrastructure. Profit from the sale of gas will be distributed evenly between the project participants. Production was to be renewed during the second

half of 2004, the field finally set up by the end of the year, and its development was to be completed over the next 13 years. What is more, the investor completed construction of a booster compressor station. All of these measures made it possible to produce 200 million cubic meters of natural gas at that time and send it to the Karakalpakia compressor station of the Central Asia-Center main gas pipeline for export. Beginning in 2005, the annual production and export of blue fuel amounted to 400 million cubic meters.

It is obvious that in the current situation, a potential investor showing its interest in Uzbek gas will need a single strategy for the three countries of the region, which Gazprom has been actively engaged in for the past two years. The agreement it signed with Tashkent in 2003 until 2012 envisages joint development of the fields and deliveries of Uzbek gas (5 bcm a year until 2005 and 10 bcm a year after 2010). What is more, Gazprom's strategic interest in Uzbekistan is aroused by the fact that the Central Asia-Center main gas pipeline linking Turkmenistan and Russia runs through the republic's territory.

In this way, the Russian company has entered its first contract in Central Asia envisaging the exclusive production of gas. In the mid-term, this will allow Gazprom to switch from reselling gas to its production, that is, to begin a new stage of business in the region, and also restore the former Soviet chain of geological, commercial, and transportation assets, which will give this structure the opportunity to increase its export potential and strengthen economic relations with its Central Asian partners.

The agreement on cooperation in gas production and transportation signed with Uzbekistan at the end of 2002 envisaged three main areas of partnership.

- *First.* The main principles of Russia purchasing Uzbek gas until 2012 were set forth. In keeping with this agreement, Uzbekistan has already delivered 5 bcm of gas to Russia between June 2003 and May 2004, and beginning in 2005 planned to reach a level of 10 bcm a year at a price of around 40 dollars per 1,000 cubic meters.
- *Second.* A program for implementing joint gas production projects was drawn up. As the agreement envisages, beginning in April 2004, Gazprom's subsidiaries—Zarubezhneft and Switzerland's Gas Project Development Central—became participants in the project for producing gas condensate at the Shakhpakhty field in the Ustiurt Region under production sharing conditions. The term of the agreement was 15 years. It was presumed that in 2004-2007, investments in field development will reach 15 million dollars. These funds will be invested in developing the latest gas production technology and constructing a new booster compressor station. Every year, 0.5 bcm of gas will be produced at the Shakhpakhty field; it will be distributed between the Russian and Uzbek participants in the project on a 50:50 basis.
- *Third.* There were plans to reconstruct and develop the existing Uzbek gas transportation system. Now its throughput capacity amounts to 130 million cubic meters of gas a day, or 48 bcm a year. This capacity is hardly sufficient for meeting the obligations to transit 36 bcm of Turkmen gas to Ukraine, 4 bcm of which are purchased by Tazeksport in Ashghabad, as well as the mentioned Uzbek gas purchased by Gazprom. The latter planned to gradually increase the capacity of Uzbekistan's gas transportation system to 51-52 bcm in 2005 and 56 bcm in 2006. Gazprom intended to provide approximately 100 million dollars in investments for this purpose.

In this way, the Russian giants on the oil and gas market gained access to new Asian fields, thanks to which Russia, in the form of its companies, has now become Uzbekistan's leading investment partner in the gas industry and economy in general.

It is worth noting that Itera was the first Russian company to gain access to Uzbekistan. Along with LUKoil, it held talks lasting for many months on entering a production sharing agreement regarding the Kandym-Khauzak-Shady block, which is located in the south of the country. The volume of confirmed geological supplies of blue fuel in the contract territory amounted to 283 bcm. The largest field is Kandym; and its supplies amount to more than 150 bcm. But in 2003, Itera curtailed its activity in Uzbekistan and even closed down its office in Tashkent, unable to deal with the tough competition coming from Gazprom, which essentially monopolized the export deliveries not only of Uzbek, but also of all Central Asian gas.

As for LUKoil, the company carried out talks with Uzbekistan on the Kandym-Khauzak-Shady block on its own, and on 16 June, 2004, during Russian President Vladimir Putin's visit to Tashkent, this Russian oil giant and the Uzbekneftegaz Company entered a production sharing agreement envisaging gas production in the Bukhara-Khiva Region (in the southwest of the republic). In order to implement the project, a joint venture will be created, in which the share of the Russian company will amount to 90%, and Uzbekneftegaz's share to 10%. In so doing, LUKoil increased its share to 90% (from 70%) six days before signing the contract. The term of the agreement is 35 years; the volume of investments in the project is approximately 1 billion dollars; industrial gas production will begin in 2007. In this way, LUKoil became the second Russian company executing a production sharing agreement in Uzbekistan's oil and gas industry.

Within the framework of this project, the maximum level of annual production is drawing close to 9 bcm, and the total accumulated production volume could increase to 207 bcm. What is more, the project envisages the construction of a contemporary chemical gas complex with a capacity of 6 bcm of gas a year, the first stage of which will be put into operation in 2010. There are plans to drill 240 production wells and lay more than 1,500 km of pipelines. In addition to this, there are plans to build two compressor stations, headers, and RV sites, put up high-voltage electric transmission lines, lay a separate rail branch of around 40 kilometers in length, and build roads and access ways. Incidentally, blue fuel will be pumped via Gazprom's main transportation networks, so the Russian monopolist will be taking indirect part in this project too. A feasibility study of the project was carried out by the UzLITIneftegaz Institute, a subsidiary of Uzbekneftegaz, and an American law firm, Baker and MacKenzy, prepared the production sharing agreement. The feasibility study and text of the production sharing agreement were approved by the republic's Special State Commission entrusted with drawing up conditions for using sections of the subsoil and reviewing production sharing agreements.

The active stance of Russia's largest oil and gas companies has made it possible for them to occupy a dominating position in Uzbekistan's heat and fuel complex, which not one foreign investor has been able to do so far. In contrast to Kazakhstan, where Russian companies have to deal with tough competition from the world's largest companies, a different situation has developed in Uzbekistan. The coordinated actions of the Russian companies and their control over the transportation supply lines (the same "production-transportation" blend in the form of Gazprom and LUKoil) are making it possible for Moscow to establish more efficient geopolitical relations with Tashkent. In addition to everything else, Uzbekistan is the only Central Asian country where Russian oil and gas producers have not yet encountered objective difficulties in implementing their projects.

(Concluded in the next installment)

THE DEVELOPMENT AND USE OF PRODUCTION SHARING AGREEMENT LAW IN UZBEKISTAN OIL AND GAS

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Uzbekistan's probable natural gas reserves are approximately 5.1-6.25 trillion cubic meters, with commercial reserves of about 1.62 trillion cubic meters, making Uzbekistan the world's 10th largest natural gas producer. Commercial gas reserves in Uzbekistan are double those located in Britain, which is Europe's largest gas producer, and the Uzbek national holding company Uzbekneftegaz claims the country has developed less than 23% of its gas resources. Given these natural advantages, Uzbek authorities have been working hard to attract foreign investors into ex-

ploration and production in Uzbekistan. Efforts include a much publicized April 2000 Oil And Gas Investments Decree intended to promote Uzbek oil and gas, and the December 2001 introduction of a production sharing agreement (PSA) law. This article will put these efforts into context by examining the Uzbek hydrocarbon industry. This will then be followed by a detailed analysis of the development of a PSA regime in Uzbekistan, provisions of the law, problems with the law, and the limited-to-modest success it has had in attracting foreign investment into Uzbekistan.

A. Executive Summary

- As is common in former Soviet republics, the Uzbekistan Constitution vests ownership of the subsoil in the state. The Law on the Subsoil of 23 September, 1994 and its amendments set out Uzbekistan's framework of statutes governing the exploration and development of all subsoil resources—including hydrocarbons and other minerals.
- On 28 April, 2000, the Uzbekistan Government adopted the Oil And Gas Investments Decree as part of an organized plan to attract more FDI into the Uzbek oil and gas sector. The Oil And Gas Investments Decree contains several provisions of significant interest to foreign investors. Significantly, companies which conduct exploratory work in the Ustiurt Region (and possibly others) may be granted newly discovered oil and gas deposits for a period of up to 25 years with a "right to prolong the development period."
- On 7 December, 2001 Oliy Majlis (Parliament) of the Republic of Uzbekistan adopted Resolution No. 312-II On Enactment of the Act On Production Sharing Agreements (PSA Act). A key concept of the PSA Act is that the Uzbek state grants to a foreign investor for a certain period of time exclusive rights to search for, explore deposits and extract minerals in a specified segment of subsoil. In return the investor is obliged to fulfill work plans determined by the agreement at its own risk and expense, as well as to transfer a share of the extracted product or its monetary equivalent to the State.

- The Uzbek government has been hoping to attract \$400 million of foreign investment through production-sharing agreements (PSAs). Of the 80 fields offered under PSA arrangements, 78 fields are located in 16 exploration blocks. Eight individual fields, with total reserves of some 1.2 bn barrels of oil equivalent, have been opened up for potential foreign participation. Those fields include four in the southwestern Gissar Basin and four in the Amu Darya region. However, success under PSA laws has been limited because foreign companies perceive the PSA terms as less attractive than those offered in other parts of Central Asia and Russia. Investors readily cite increased political risks in Uzbekistan due to Islamic opposition to President Karimov.
- Selected provisions of the 2001 PSA Act include:
 - Rights to the promising subsoil segments without proven mineral resources shall be granted subject to the conditions of the PSA. Rights to the subsoil segments with proven mineral resources shall be granted on the PSA basis only in the following instances:
 - (i) the State lacks necessary financial and technical means for exploration;
 - (ii) attraction of special modern technology is necessary; or
 - (iii) it is necessary to decrease the level of technological losses of minerals and prevention of possible negative socio-ecological consequences.
 - Subsoil segments shall be granted on the basis of the PSA through open tenders. However, in certain instances the PSA can be negotiated directly with the authorized agency.
 - A license for use of subsoil under the PSA shall be issued to the investor according to the procedure established by the Cabinet of Ministers or its authorized body within five working days after conclusion of the agreement.
 - Uzbek citizens should comprise 80% of all workers under the PSA (calculated on an average annual basis).
 - The investor has a right of ownership to a share of the product in accordance with the PSA and can export it out of Uzbekistan without any restrictions.
 - Provisions of the agreement remain in force during the entire term of the agreement. If during the term of the agreement, changes in the legislation worsen commercial results of the investors' activity under the agreement, relevant provisions of the agreement would prevail.
 - Disputes can be settled according to provisions of the PSA in a Uzbek court or, if the parties so choose, in international arbitration.
- Investors have identified several problems with the law, or provisions which make the Uzbek PSA regime less attractive than those in other parts of the world. Some of these problems include the following:
 - Art 5 of the PSA law limits PSA-eligible fields only to those which do not have proven reserves.
 - Although the PSA Law provides for issuance of a subsoil use license within five days, Uzbek legislation that regulates the procedure of issuance of such a license does not exist. Decree No. UP-2598 authorizes the National Holding Company Uzbekneftegaz to issue licenses for prospecting, exploration and extraction of minerals in Uzbekistan, although the decree also fails to define the procedure for obtaining a license.
 - Art 14 of the Act says that that "recoverable expenses should be compensated from the recovery product in the same calendar year that the expenses were accrued," effectively

preventing developers from carrying exploration and production expenses over from one calendar year to the next.

- Other issues, including:

- (1) the law contains little or no provisions as to the tax treatment of the operator—meaning the tax preferences for the investor might not be applied to the operator; and
- (2) the PSA law does not spell out regulation of foreign companies' branch offices located inside Uzbekistan—causing further uncertainty in investors' tax liability.

- While success under the PSA regime has been limited, a number of deals have been made. These include a deal with Great Britain's UzPEC and Trinity Energy, Russia's Soyuzneftegaz, Gazprom, and LUKoil. While positive developments, these deals are still very small compared to the government's initial hopes for the PSA law.

B. Investment Decision Factors in Uzbekistan

George Ellinidis suggests a long list of risk factors for investors considering any transition economy.¹ The list suggested by Ellinidis can be augmented with several factors specific to Uzbekistan. Thus, risk factors can be split into:

- (1) general risk factors associated with any developing economy; and
- (2) risk factors specific to transition economies and Uzbekistan in particular. These include both positive and negative risk factors.

On the positive side, Uzbekistan offers several economic benefits, including:

- (1) relatively abundant natural gas;
- (2) relatively inexpensive labor; and
- (3) lower relative overhead costs of land, buildings, and materials—in comparison to similar oil and gas investment projects in the United States or other developed parts of the world.

The attractiveness of an investment in Uzbekistan is also likely to depend on the availability of alternative investment opportunities in other parts of the world. Though risks may be higher in Uzbekistan, so too are possible returns—for at least 4 reasons, including:

- (1) "saturation" of the domestic market in energy investment projects;
- (2) anti-trust policies in the domestic market;
- (3) high taxation levels and environmental standards in the home country; and
- (4) presence of strong labor unions and high wages in the home country.²

However, there are many negatives on the negative side. The first major problem for any prospective investor in Uzbekistan oil and gas is geography. Uzbekistan is a landlocked country surrounded by difficult desert and mountain terrain—a situation which makes oil and gas transport expensive and

¹ See: G.Th. Ellinidis, "Foreign Direct Investment in Developing and Newly Liberalized Nations," *Journal of International Law and Practice*, Summer 1995 (4 J. Int'l L. & Prac. 299).

² Ibidem.

problematic. Uzbekistan does not have a sufficient transport network, and the lines it does have are not suited to significant production increases. The end result is that despite the fall of the former Soviet Union, energy exports from Uzbekistan and its Central Asian neighbors are almost exclusively limited to the Russian Federation and other countries of the NIS.³ Almost all oil and gas pipelines pass through Russia—giving Russia's monopoly gas producer Gazprom a near unbeatable bargaining position in regional trade.

Some countries have tried to build alternative routes, but progress is slow. Turkmenistan and Iran built a 200-km gas pipeline in 1997 which successfully circumvents Russia. Additionally, Kazakhstan wants to build an oil pipeline to the Persian Gulf to sell to countries in Asia, and thinks a route through Iran would be the cheapest route. Turkmenistan also raised the idea of building lines through Iran, but the United States strongly opposes such plans.⁴ Pipelines built in Iran are subject to the United States' Iran-Libya Sanctions Act, which provides sanctions on foreign companies investing in Iran's energy sector. Such sanctions would be prohibitively expensive to countries of Central Asia.

Political instability and the threat of violence is also a factor for investors considering Uzbekistan. Such worries include concerns over: (1) activities of Islamic militants; (2) organized crime; and despite the end of the Taliban to the south, (3) uncertainty over Afghanistan's long-term stability.⁵

C. Uzbek Macroeconomics

Uzbekistan's previous lack of currency convertibility was one of the reasons that foreign direct investment (FDI) inflows dwindled to a trickle. In fact, Uzbekistan has the lowest level of FDI per capita in the Commonwealth of Independent States (CIS). Since Uzbekistan's independence, U.S. firms have invested roughly \$500 million in Uzbekistan. Large U.S. investors include Newmont, reprocessing tailings from the Muruntau gold mine; Case Corporation, manufacturing and servicing cotton harvesters and tractors; Coca Cola, with bottling plants in Tashkent, Namanagan and Samarkand; Texaco, producing lubricants for sale in the Uzbek market; and Baker Hughes, in oil and gas development. No large new investments have taken place from the U.S. in the last 5 years.⁶

In 2003, policy measures, including tight monetary and fiscal policies, were directed mainly toward formally establishing current account convertibility. This has been a long-standing goal of the authorities as part of their efforts to attract greater FDI. The Government made its announcement in October 2003, followed by an IMF statement, that Uzbekistan had accepted its Art VIII obligations for current account convertibility. Uzbekistan has maintained a managed floating exchange rate. However, in addition to the official main reference rate, prior to October 2003 and exchange rate unification, the exchange rate system had included an official depreciated secondary market rate for certain transactions as well as various restrictions on making current payments and transfers. Black-market transactions had been made at spreads generally well above both official rates.⁷

³ See: *Quest Information Limited, Uzbekistan Economy: Regional Overview, Country Report 1*, 5 February, 2004.

⁴ *Ibidem*.

⁵ See: G.Th. Ellinidis, *op. cit.*

⁶ See: U.S Department of State, *Background Note: Uzbekistan*, available at [www.state.gov], October 2004.

⁷ See: Asian Development Bank, *Asian Development Outlook 2004: Economic Trends and Prospects in Developing Asia, Uzbekistan*, available at [www.adb.org], March 2004.

D. General Legal Framework for Energy Investment in Uzbekistan

Arts 3-4 and 7 of the Uzbekistan Subsoil Law grant authority over the subsoil (including its natural resources) to: (1) President; (2) Cabinet of Ministers (the "COM"); (3) Local authorities; and (4) Specially designated state agencies.⁸ In addition to these powers, Art 4 of the Law on Natural Monopolies also gives the power of regulatory oversight for natural monopolies to the state. These regulated activities include: (i) the extraction of oil, gas condensate, natural gas, and coal, and (ii) oil, petroleum products, and gas transportation by pipeline.⁹

As is common in former Soviet republics, the Uzbekistan Constitution vests ownership of the subsoil in the state.¹⁰ The Law on the Subsoil and its amendments set out Uzbekistan's framework of statutes governing the exploration and development of all subsoil resources—including hydrocarbons and other minerals. The Subsoil Law covers state licensing and control, rights and obligations, basic rational use rules, and other issues. It does not specify any particular form of contract favored or allowed for resource.¹¹ There is also a new Law on Licensing of Certain Activities (the Licensing Law),¹² and the older, pre-existing Cabinet of Ministers Decree No. 215 On Licensing of Business Activities of 14 April, 1994, as amended (the Licensing Decree).¹³

Approved licenses are the basis for oil and gas exploration and development in Uzbekistan. The Subsoil Law requires that a license be issued to any physical or legal persons, domestic or foreign. Specifically, under the Subsoil Law Arts 10 through 14 and the Licensing Decree, a license is required only for mineral extraction.¹⁴ However, it is understood that licenses may be granted for exploration, production, or combined exploration and production.¹⁵ Another section of the Subsoil Law says that the period of subsoil usage allowed in the given license may be either limited or unlimited, with or without a right to extend; and the Law itself states no maximum license periods.¹⁶

Another important rule is Uzbekistan's right to terminate a license. In Russia, where the state has authorized exploration under both a production sharing agreement regime and a subsoil licensing regime, the Russian state reserves the right to terminate, suspend, or limit an investor's utilization of an approved license.¹⁷

In Uzbekistan, the Subsoil Law (Art 19) provides many excuses for the Uzbek authorities to terminate a license, including:

- (1) a finding of the user's violation of "the basic terms of the license";
- (2) non-fulfillment of the Subsoil Law conditions for exploration, development, and workplace safety;

⁸ See: Republic of Uzbekistan, The Law on Subsoil, Arts 3-4, 7, 23 September, 1994.

⁹ See: Republic of Uzbekistan, Natural Monopolies Law: Law No. 398-I On Natural Monopolies (adopted 24 April, 1997).

¹⁰ See: Republic of Uzbekistan, The Law on Subsoil.

¹¹ *Ibidem*.

¹² See: Law No 71-II On Licensing of Specific Kinds of Activity dated 25 May, 2000 (published on 15 June, 2000).

¹³ See: Cabinet of Ministers Resolution No. 215 On Licensing of Business Activities approving the Regulation On The Procedure for Issuing to Enterprises (Organizations) Special Permissions (Licenses) for the Right to Engage in Certain Types of Activity (adopted 19 April, 1994).

¹⁴ See: Republic of Uzbekistan, The Law on Subsoil, Arts 10-14.

¹⁵ See: J.Hines and E. Sievers, "Legal Regime for Hydrocarbon Development in Uzbekistan," *The Journal of The Centre for Energy, Petroleum and Mineral Law and Policy*, 11 August, 2001.

¹⁶ See: Republic of Uzbekistan, The Law on Subsoil, Arts 12.

¹⁷ See: The Law of the Russian Federation No. 2395-1 On Underground Resources, *Sobr. Zakonod. RF*, 1992 (hereinafter Law of Subsoil], translation available at LEXIS, Intlaw Library, RFLAW File, Garant 10004313).

- (3) “necessity of confiscation of subsoil plots for other state or public needs”;
- (4) threat to human life or health or to the environment;
- (5) failure to commence work within a year of initial licensing; and
- (6) “systematic” non-payment of resource use payments (which are established under Art 22).¹⁸

If a dispute should arise regarding a license, Uzbek law provides that “in matters of use and protection of the subsoil shall be determined in court in the manner established by law.”¹⁹ This provision likely sounds a little vague to foreign investors, though other provisions of Uzbek law attempts to give priority to international law and treaties in the choice of jurisdiction for disputes. Several documents mention such priority, including:

- (1) Subsoil Law Art 5²⁰;
- (2) provisions of the 1998 Investment Laws affording foreign investors the right to resolve disputes in international arbitration;²¹ and
- (3) Uzbekistan’s obligations under the Energy Charter Treaty.²²

Additionally, the Uzbek Law on Concessions mentions the right to international arbitration.²³

E. Background to a Production Sharing Agreement Law in Uzbekistan

Beginning in 1998, the Government of Uzbekistan conducted a program to attract foreign investors to develop oil and gas deposits in the territory of Ustiurt plateau in the Southwest of Uzbekistan, which, according to preliminary estimates, contains 4 billion tons of oil.²⁴

On 28 April, 2000, the Uzbekistan Government adopted the Oil And Gas Investments Decree as part of an organized plan to attract more FDI into the Uzbek oil and gas sector. The Oil And Gas Investments Decree was introduced at a press conference on 4 May, 2000, and was a main attraction at a major oil and gas convention held in Tashkent on 17-18 May, 2000.²⁵ The Oil and Gas Investments Decree contains several provisions of significant interest to foreign investors. First, companies which conduct exploratory work in the Ustiurt Region (and possibly others) may be granted newly discovered oil and gas deposits for a period of up to 25 years with a “right to prolong the development period.”²⁶

¹⁸ See: Republic of Uzbekistan, The Law on Subsoil, Art 19.

¹⁹ Ibid., Art 50.

²⁰ Ibid., Art 5.

²¹ See: Republic of Uzbekistan, Foreign Investment Law: Law No. 609-I On Foreign Investments (adopted 30 April, 1998). See also: Republic of Uzbekistan, Investment Guarantees Law: Law on Guarantees and Measures for Protection of Foreign Investors’ Rights (adopted 30 April, 1998).

²² See: Republic of Uzbekistan, The Law on Subsoil, Art 26.

²³ See: Republic of Uzbekistan, The Law on Concessions, Art 24 (adopted 30 August, 1995).

²⁴ See: V. Saparov and A. Frolov of Baker and McKenzie, “Evolution and Developments of Oil and Gas Legislation in Uzbekistan,” *Russian/CIS Energy and Mining Law Journal*, January 2003, p. 33.

²⁵ See: Republic of Uzbekistan, Presidential Decree (unnumbered) On Measures to Attract Direct Foreign Investments into Oil and Gas Extraction (issued 28 April, 2000).

²⁶ Ibidem.

Oil and gas deposits may be granted to companies engaged in prospecting and exploration work “on a concession basis.” In addition, such companies are to benefit from an investment regime which includes a number of right, including:

- (1) the exclusive right to prospect and explore various territories with a right to further develop any deposits found in these territories, either through a joint venture or through a concession;
- (2) a preemptive right to acquire new territory for further prospecting and exploration if no valuable industrial resources have been found there;
- (3) a right of ownership and a right to freely export extracted hydrocarbons and their products processed on a tolling basis, as set out in the foundation documents of a joint venture or a concession agreement; and
- (4) a guarantee that actual expenses arising from prospecting and exploration will be reimbursed in the event that deposits “of industrial interest” are discovered and then transferred to Uzbekneftegaz for future development.²⁷

Foreign companies engaged in prospecting and exploring oil and gas deposits in Uzbekistan (along with their contractors and subcontractors) are exempted from “all types of taxes, deductions, and payments” in force in Uzbekistan during the period of prospecting and exploration, as well as customs duties (except for those for payment of customs formalization) when importing equipment, material, and technical resources and services needed to conduct prospecting, exploring, and related activities.²⁸

On 25 May, 2000 the Oliy Majlis (Parliament) of the Republic of the Uzbekistan adopted the Law on Licensing of Specific Kinds of Activity (published on 15 June, 2000) (Licensing Law). The Licensing Law is effective from 1 September, 2000 and provides the general legal framework for licensing.²⁹

F. The Uzbek PSA Law: Generally

With all the positive influences on the oil and gas sector provided by Decree UP-2598, its effect on further development of contractual relationships in the sector was limited. This led to enactment of a full-fledged PSA Act at the end 2001. On 7 December, 2001 Oliy Majlis (Parliament) of the Republic of Uzbekistan adopted Resolution No. 312-II On Enactment of the Act On Product Sharing Agreements (PSA Act).³⁰

A key concept of a PSA (according to the PSA Act itself) is that the Uzbek state grants to a foreign investor for a certain period of time exclusive rights to search for, explore deposits and extract minerals in a specified segment of subsoil. In return the investor is obliged to fulfill work plans determined by the agreement at its own risk and expense, as well as to transfer a share of the extracted product or its monetary equivalent to the State.³¹

²⁷ Ibidem.

²⁸ Ibidem.

²⁹ See: Law No 71-II On Licensing of Specific Kinds of Activity dated 25 May, 2000 (published on 15 June, 2000).

³⁰ See: Republic of Uzbekistan, On Agreements on the Division of Products, Law No. 312-II, 7 December, 2001.

³¹ Ibidem.

The Uzbek government has been hoping to attract \$400 million of foreign investment through production-sharing agreements (PSAs). Of the 80 fields offered under PSA arrangements, 78 fields are located in 16 exploration blocks. Eight individual fields, with total reserves of some 1.2 bn barrels of oil equivalent, have been opened up for potential foreign participation. Those fields include four in the southwestern Gissar Basin and four in the Amu Darya region.³²

However, success under PSA laws has been limited because foreign companies perceive the PSA terms as less attractive than those offered in other parts of Central Asia and Russia. Investors readily cite increased political risks in Uzbekistan due to Islamic opposition to President Karimov.³³

Such lack of success has serious implications for Uzbekistan. Uzbek government targets in their long-term resource development plans are rarely achieved. Under a program started in the 1990s, the Uzbek government predicted that Uzbekistan's oil production should reach 450,000 b/d by 2001. However, in 2001 the actual production of oil and condensate averaged only about 171,000 b/d.³⁴

G. Production

Sharing Agreements Generally

Both the investor and the host government have incentives to pursue development in oil and gas. But both face significant risks—legal, economic and environmental risks. Balancing these incentives with these risks is the key challenge facing the investor and host government for the development of these projects. The goals of host governments like Uzbekistan: to first attract capital in order to develop the oil infrastructure and the domestic economy as a whole. Once the investment is in place, many host countries turn more attention to both economic growth, protection of the environment, and other domestic issues. The goal of energy companies is to achieve a reasonable rate of return, long term rights to produce and export oil and gas, fiscal and contractual stability for the life of the contract, and management of the operations on good commercial and environmental terms.³⁵

There are special characteristics of an energy investment. First, the contract duration and the exposure to risk are long. Second, the amount of capital is enormous. And third, the types of risk are varied—from commercial to political to environmental. There are risks to property rights and land titles, risks of expropriation, risks of tort liability, risks of depletion and extraction, and currency risks. And one of the biggest problems facing energy companies investing abroad is the risk of unpredictable regulation.

Once an investment proves successful, a host country sometimes tries to change the terms of an investment relationship by imposing new taxes or environmental regulations. When profits are large, domestic public pressure and government priorities can cause a host country to push for a greater share of the investment returns than was provided in the original contract. Among the many techniques used to increase “government take” are the initiation of such taxes as environmental taxes to compensate for alleged extraction damage, taxes to help train the national workforce, taxes to improve public health and safety, or taxes to provide compensation to communities near the project site. Sometimes an environmental law which previously existed but has never been enforced is applied.

³² See: *APS Review Gas Market Trends, Uzbekistan: Privatization*, Vol. 63, Issue 15, 11 October, 2004.

³³ *Ibidem*.

³⁴ *Ibidem*.

³⁵ See: M. Flores, “A Practical Approach to Allocating Environmental Liability and Stabilizing Foreign Investments in the Energy Sectors of Developing Countries,” *Colorado Journal of International Law and Policy*, Winter 2001.

Once a project proves profitable, the energy company is subject to a “*hostage effect*,” where the host government sees the deep pockets of western energy firms, and tries to extract more from them.³⁶ Because the energy firm has now sunk considerable fixed costs into the project, and also sees the proven revenue stream, abandoning the project is more difficult. Bargaining power shifts to the host government, and foreign investors are left to adjust to new circumstances.

One major solution to the hostage effect and its discouragement of foreign investment is the production sharing agreement. This is an avenue used by many oil and gas-producing countries, and is now present in Uzbekistan.

H. Definition of PSA

Production Sharing Agreement (PSA) enabling laws are implemented by a host country to set up an environment for the host country and the foreign investor to conclude a PSA contract. PSA contracts have been around for many years, and have been used by many oil-producing countries to entice foreign investors—examples include Libya, Egypt, Kenya, Peru, and more recently, Russia.³⁷ A typical PSA contract will include special provisions which serve to protect investors by insulating them from the volatile political and economic environments found in these countries.³⁸ Such provisions are one way around the “hostage effect” discussed above.

A PSA works by forcing the investor and host country to enumerate all their rights and obligations for a proposed energy investment—short-term provisions and long-term ones. Given the special jurisdiction provisions of the PSA enabling law of the host country, disputes arising under the specific PSA contract will be settled not by the courts of the host country—but by international arbitration or courts of a third, neutral country.³⁹ This “neutral corner” is a crucial part of the PSA concept.

When oil or gas is found, the revenue provisions of the PSA contract aim to balance several objectives, including:

- (1) cover the enormous up-front costs of exploration and extraction;
- (2) reward the foreign investors for taking the risk of supporting the project; and
- (3) reward the host country for the sale of its natural resources.

Thus, when oil or gas is discovered and sold, the foreign investors are allocated enough oil or gas to pay for the costs of the project (aptly labeled “Cost Oil). Then the remaining oil and gas is split between the foreign investor (“Profit Oil”) and the host country (“Government Take”). The proportions of “profit oil” and “government take” will have been specified in the PSA contract.⁴⁰

Additionally, according to Mark Stoleson, a crucial part of a PSA contract is that it is entirely “self-contained.”⁴¹ Stoleson writes that “by concluding a self-contained contract, the foreign investor is able to obviate the existing legal environment and acquire guarantees of certainty and protection

³⁶ *Ibidem*.

³⁷ See: G.B. Conine, *Petroleum Licensing: Formulating an Approach for the New Russia*, 15 HOUS. J. INT'L L. 362, 1993.

³⁸ *Ibidem*.

³⁹ See: G.C. Moss, *Petroleum Investments in Russia: Newly Enacted Law on Production Sharing Agreements Does Not Solve All Problems*, 10 January, 1996.

⁴⁰ See: E. Smith & John S. Dzienkowski, *A Fifty-Year Perspective on World Petroleum Arrangements*, 24 TEX. INT'L L.J. 13, 28, 1989.

⁴¹ *Investment at an Impasse: Russia's Production Sharing Agreement Law and the Continuing Barriers to Petroleum Investment in Russia*, 7 Duke J. of Comp. & Int'l L. 671, 1997.

directly from the host state. Similarly, the host state benefits by attracting foreign investment while maintaining control over the specifics of large-scale oil projects."⁴²

For most PSA contracts, the host government will keep ownership over the underground resources from start to finish of the project.⁴³ This differs from other types of contracts, like a concession agreement, where the host government will sign over ownership of the underground oil or gas to the foreign investors.⁴⁴

I. Provisions of the Uzbek PSA Law

The following are selected, significant provisions of the 7 December, 2001 Uzbekistan PSA law:

- Rights to the promising subsoil segments without proven mineral resources shall be granted subject to the conditions of the PSA.⁴⁵ Rights to the subsoil segments with proven mineral resources shall be granted on the PSA basis only in the following instances:
 - (i) the State lacks necessary financial and technical means for exploration;
 - (ii) attraction of special modern technology is necessary; or
 - (iii) it is necessary to decrease the level of technological losses of minerals and prevention of possible negative socio-ecological consequences.⁴⁶
- Subsoil segments shall be granted on the basis of the PSA through open tenders. However, in certain instances the PSA can be negotiated directly with the authorized agency.⁴⁷
- A license for use of subsoil under the PSA shall be issued to the investor according to the procedure established by the Cabinet of Ministers or its authorized body within five working days after conclusion of the agreement.⁴⁸
- Uzbek citizens should comprise 80% of all workers under the PSA (calculated on an average annual basis).⁴⁹
- The investor has a right of ownership to a share of the product in accordance with the PSA and can export it out of Uzbekistan without any restrictions.⁵⁰
- Provisions of the agreement remain in force during the entire term of the agreement. If during the term of the agreement, changes in the legislation worsen commercial results of the investors activity under the agreement, relevant provisions of the agreement would prevail.⁵¹
- Disputes can be settled according to provisions of the PSA in a Uzbek court or, if the parties so choose, in international arbitration.⁵²

⁴² *Investment at an Impasse: Russia's Production Sharing Agreement Law and the Continuing Barriers to Petroleum Investment in Russia*, 7 Duke J. of Comp. & Int'l L. 671, 1997.

⁴³ See: J.W. Skelton Jr., *Investing in Russia's Oil and Gas Industry: The Legal and Bureaucratic Obstacles*, 8 NAT. RESOURCES & ENV'T. 26, 1993.

⁴⁴ See: E.E. Smith, *From Concessions to Service Contracts*, 27 TULSA L.J. 493, 527. 1992.

⁴⁵ See: Republic of Uzbekistan, On Agreements on the Sharing of Products, Law No. 312-II, Art 5, 7 December, 2001.

⁴⁶ *Ibidem*.

⁴⁷ *Ibid.*, Art 6.

⁴⁸ *Ibid.*, Art 9.

⁴⁹ *Ibid.*, Art 12.

⁵⁰ *Ibid.*, Art 16.

⁵¹ *Ibid.*, Art 24.

⁵² *Ibid.*, Art 28.

J. Problems with the Provisions of the Uzbek PSA Law

As Russia found with its PSA Law (and probably most other countries using a PSA regime), the chosen PSA legislation is not immediately perfect. Several provisions of the 2001 Uzbekistan PSA Law have been cited as problematic—or at least candidates for improvement from the prospective of foreign investors. One major problem with the PSA law (in lease in investors' eyes) is Art 5, which limits PSA-eligible fields only to those which do not have proven mineral resources. Essentially, this clause keeps the most promising fields under the control of Uzbek officials while the riskiest fields are left open to foreigners. Because a major portion of Uzbek land has been already surveyed, the location of proven reserves are largely determined already. The attractiveness of the Uzbek PSA scheme is thus severely reduced.

While Art 5 provides one problem, there are others. First, at least one clause of the act appears to reserve *carte blanche* control for the Uzbek authorities in the event of unforeseen developments or disputes. Art 26 of the PSA LAW stipulates that, "the Cabinet of Ministers of the Republic of Uzbekistan or authorized agencies execute state control over implementation of the agreement, including over terms of execution of work by the investor in keeping with the legislation."⁵³

Second, while it is clear that licensing remains crucial in Uzbek oil and gas exploration, the licensing regime remains less than transparent for foreign investors. The PSA Law is incomplete in terms of subsoil licensing. Although the PSA Law provides for issuance of a subsoil use license within five days,⁵⁴ Uzbek legislation that regulates the procedure of issuance of such a license does not exist. Another act, On Subsoil, agrees that a license is necessary, but fails to completely spell out how to get one.⁵⁵

Decree No. UP-2598 is the only legal act that clarifies the State agency that is responsible for issuance of a license. The decree authorizes the National Holding Company Uzbekneftegaz to issue licenses for prospecting, exploration and extraction of minerals in Uzbekistan, although the decree also fails to define the procedure for obtaining a license.⁵⁶

Third, while the PSA regime provides for expense reimbursement for foreign exploration and production, a peculiarity of the 2001 Act seemed to mean a large portion of expenses would not be reimbursed. Under the original 2001 PSA law, expense compensation was limited to one year—a rule that significantly reduced the attractiveness of PSA agreements to foreign investors. In particular, Art 14 of the Act says that that "recoverable expenses should be compensated from the recovery product in the same calendar year that the expenses were accrued."⁵⁷ The problem with such a rule is that it prevents investing developers from carrying exploration and production expenses over from one calendar year to the next—which often would lead to no compensation at all for this portion of expenses.⁵⁸ In addition, Art 14 explicitly lists out many inventory expenses for which the PSA Law does not provide compensation to investors.⁵⁹

Finally, Saparov and Frolov of Baker and McKenzie point out several other problems with the Uzbek PSA Law, including:

⁵³ Ibid., Art 26.

⁵⁴ Ibid., Art 9.

⁵⁵ See: Republic of Uzbekistan, The Law on Subsoil.

⁵⁶ See: V. Saparov and A. Frolov of Baker and McKenzie, *op. cit.*, p. 34.

⁵⁷ See: Republic of Uzbekistan, On Agreements on the Sharing of Products, Law No. 312-II, Art 14, 7 December, 2001.

⁵⁸ See: V. Saparov and A. Frolov of Baker and McKenzie, *op. cit.*

⁵⁹ See: Republic of Uzbekistan, On Agreements on the Sharing of Products, Law No. 312-II, Art 14, 7 December, 2001.

- (1) the law contains little or no provisions as to the tax treatment of the operator—meaning the tax preferences for the investor might not be applied to the operator; and
- (2) the PSA law does not spell out regulation of foreign companies' branch offices located inside Uzbekistan—causing further uncertainty in investors' tax liability.⁶⁰

K. So Many Laws to Follow

Possibly the most significant problem with Uzbek investment law is the uncertainty created by having so many investment laws controlling oil and gas FDI into Uzbekistan. Several of these laws are described below.

The Law on Concessions of 30 August, 1995 (the "Concession Law") provides the legislative basis for this common contractual form of mineral resource development. This Law has not yet been applied widely in practice. A PSA is normally considered a form of a concession, while the Concession Law (like the Subsoil Law) does not expressly provide for PSAs.⁶¹

Presidential Edict No. UP-1652 of 30 November, 1996, as amended, "On Additional Incentives and Privileges for Enterprises with Foreign Investments" (the "Foreign Investment Edict") offers reduced tax rates to enterprises that attract substantial amounts of foreign investment.⁶²

The Law on Foreign Investments of 30 April, 1998, as amended, (the "FIL") and the Law on Guarantees and Measures to Protect the Rights of Foreign Investors, also of 30 April, 1998 (the "IGL") (together, the Investment Laws), provide some basic guarantees to foreign investors meeting certain threshold requirements.⁶³

Presidential Edict No. UP-2598 of 28 April, 2000, On Measures to Attract Direct Foreign Investments into Oil and Gas Exploration and Production (the "Petroleum Investment Edict") hoped to increase foreign investment in Uzbekistan for the exploration of hydrocarbon fields in the Ustiurt and other areas. This law provided a number of valuable concrete rights, preferences, and tax benefits for foreign companies and their joint venture and concession form investments.⁶⁴

L. Efforts to Improve the Uzbek PSA Regime

In July of 2003, the government of Uzbekistan decided to create a special state commission to examine feasibility studies of projects to be conducted under PSA, determine the conditions for using subsurface resources by investors, and make decisions on specific agreements. The plan of the Commission was to determine the payments for the use of subsurface resources, terms of taxation, procedures for sharing product, and will handle other matters pertaining to PSA projects. The goal was to improve the PSA regime.⁶⁵

⁶⁰ See: V. Saparov and A. Frolov of Baker and McKenzie, *op. cit.*, pp. 34-35.

⁶¹ See: Republic of Uzbekistan, The Law on Concessions (adopted 30 August, 1995).

⁶² See: Republic of Uzbekistan, Presidential Decree No. 1652 On Additional Incentives and Privileges Granted to Enterprises with Foreign Investments (issued 30 November, 1996).

⁶³ See: Republic of Uzbekistan, Law No. 609-I, On Foreign Investments (adopted 30 April, 1998).

⁶⁴ See: Republic of Uzbekistan, Presidential Decree (unnumbered) On Measures to Attract Direct Foreign Investments into Oil and Gas Extraction (issued 28 April, 2000).

⁶⁵ Interfax Petroleum Report, *Uzbekistan Working to Speed Up PSA Projects*, 30 July, 2003.

Later in 2003, formal amendments were made to the PSA Law in the hopes of addressing investor concerns. The 31 October, 2003 amendments were hoped to make it possible to attract even the most demanding investors into PSAs in Uzbekistan. Specifically addressing the concern on expense reimbursement, one of the amendments gave investors in-kind compensation for funds spent on field development under a PSA, beginning in the calendar year when commercial production begins. The new version of the PSA law states that spending by an investor not reimbursed in the current calendar year will be reimbursed in subsequent calendar years during the implementation of the project.⁶⁶

M. Conclusions

The Uzbek government is active on many fronts in their efforts to bring foreign investment dollars into Uzbekistan's abundant oil and gas fields. The centerpiece of the Uzbek legislative effort has become the 7 December, 2001 production sharing agreement law. A number of amendments have been made to the law, and a number of deals have been signed under the PSA regime. However, it appears that certain provisions of the PSA limit its appeal to foreign investors, and the general perception of Uzbekistan as a risky investment seem to have prevented the legislation from fulfilling its drafters' optimistic predictions.

⁶⁶ See: Republic of Uzbekistan, Amendments to the PSA Act, 31 October, 2003.

REGIONAL ECONOMIES

**LABOR MIGRATION
FROM TAJIKISTAN AND
ITS ECONOMIC IMPACT****Sobir KURBANOV**

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Differences in economic development levels and the level of income can be regarded as the main driving force behind labor migration processes.

In the past, in the conditions of an administrative-command socialist economy, the labor market developed in the context of integrated national economic planning and the formation of territorial economic complexes. At that time, emphasis was placed on the development of extensive, resource-consuming lines of production, on the construction of industrial giants with ramified and strictly determined links with suppliers from other republics of the former Soviet Union. As a rule, these enterprises had a large workforce, i.e., an excess of labor, whereas economic efficiency and labor productivity remained low.

In the 1960s-1990s, programs for the distribution of the productive forces and economic zoning drawn up by the U.S.S.R. State Planning Committee (Gosplan) for the Tajik Soviet Socialist Republic and the region as a whole provided for rapid development of certain sectors of industry, the creation of the South Tajik Territorial Complex, and the construction of engineering, food processing, textile and nonferrous metallurgical plants, which made it necessary to attract skilled labor and to create a system of specialized secondary, vocational and higher education institutions. In accordance with the socioeconomic priorities of that period, specialists in the respective fields were sent to the republic from other parts of the single country in a centralized manner, and local personnel were trained as well.

These processes cannot be unequivocally defined as free labor migration, but should probably be characterized as allocation and assignment of labor in accordance with mandatory instructions. Later on, during the disintegration of the single state, this stratum of highly qualified non-local labor resources created a powerful potential for the republic's development, helping to train an internal core of qualified specialists in various sectors of the national economy and the social sphere.

So, labor migration processes in the Soviet Union were fully and stringently regulated under a centralized model and were limited in view of the general trend toward a decline in regional economic development levels and the existence of the institution of *propiska* (residence permits), which restricted the free movement of people in the territory of the Soviet Union.

Elements of free labor migration existed in the form of very limited seasonal and, as a rule, trade-related visits by a part of the population to central regions of the Russian Federation (R.S.F.S.R.); young people studying in the R.S.F.S.R. and other republics of the Soviet Union, etc.

Centralized campaigns to dispatch students and other young people to so-called all-Union construction sites in Siberia and the Far East were another popular form of labor migration, just as the assignment of workers from the Tajik S.S.R. to the development of oil and gas fields in the R.S.F.S.R.

At the time of the breakup of the Soviet Union (1991), the structure of the population employed in the economy of Tajikistan was as follows:¹

- industry and construction—21%;
- agriculture—45%;
- non-production sphere—19.7%;
- others—14.3%.

Up to the 1990s, the overall labor market in the Tajik S.S.R. had the following distinctive features:

1. Creation of a network of giant enterprises operating in close cooperation with numerous suppliers and consumers from other regions of the Soviet Union, with the formation of labor-surplus lines of production on their basis; large proportion of the labor force employed in industrial production.
2. Centralized distribution and influx of highly skilled labor from central regions and republics of the former Soviet Union.
3. Limited internal migration on the scale of the Soviet Union and Tajikistan.
4. Insignificant labor mobility within the framework of Union-wide campaigns, top-priority construction projects, education programs, etc.

As a result of the painful process of transition to market relations, the labor market was exposed to the impact of a number of factors. The drop in the level of industrial production and in recorded GDP as a whole (estimated at 40-60% for the Central Asian region) and the disintegration of the nationwide system of production and technical cooperation artificially maintained in the centrally planned economy had a negative impact on employment. Many lines of production and industrial giants proved to be uncompetitive in market conditions and were obliged to lay off most of their personnel, whereas the population boom with an increase in the number of people of working age from 47% to 51% (1991-2001) continued (State Statistics Committee, 2001).

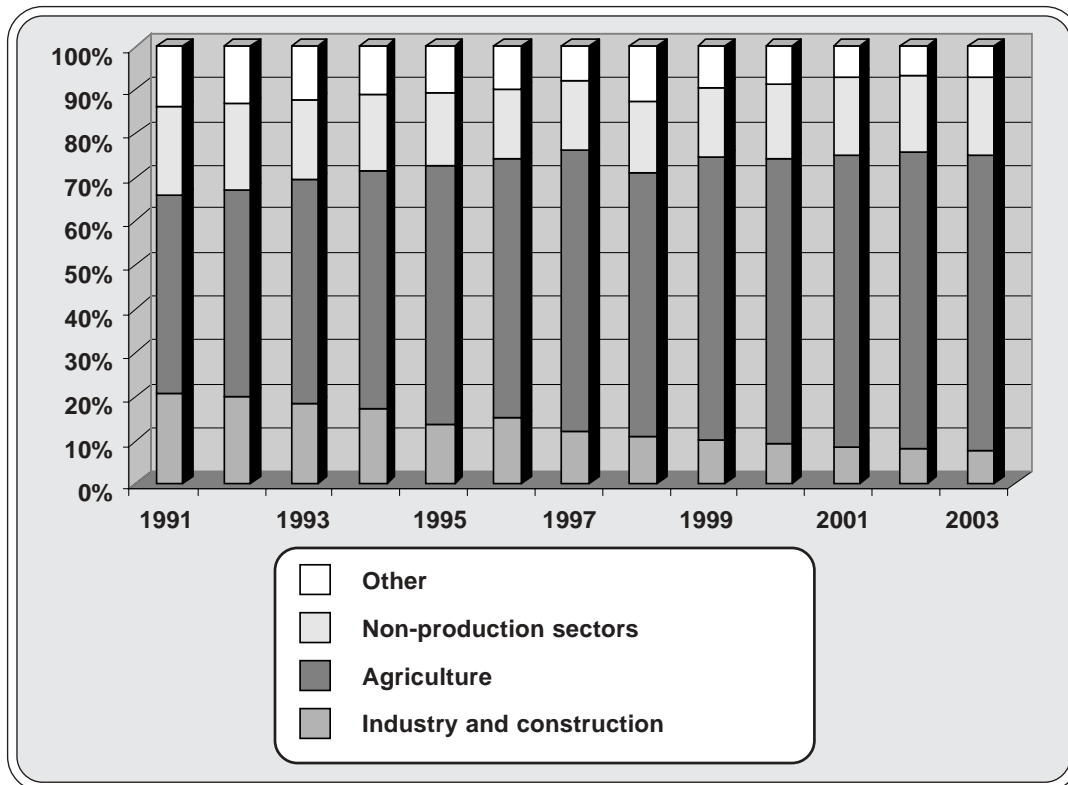
In greater detail, Tajikistan's labor market in the transition period was characterized by the following main trends:

¹ See: *Statisticheski uezhegodnik. Respublika Tadjikistan*, State Statistics Committee, Dushanbe, 2001.

- Decline in public sector employment by about 50%.
- General decline in employment in the economy by 2.7-5% (State Statistics Committee, 1997-2001) to one-third (World Bank, 2000).
- Sharp drop (6-8 times) in average wage levels from 1991 to 2001, with a corresponding decline in the attractiveness of job offers in the domestic labor market. This is also evident from the fact that, according to official statistics, only 54,681 people (compared to 133,297 people in 1994) were officially registered as unemployed with the Employment Service of Tajikistan (State Statistics Committee, 2001).
- Outflow of highly skilled labor (mostly Russian-speakers employed at industrial enterprises and in the service sector), variously estimated at up to 200,000 people (from 1990 to 1998).
- Decline in industrial employment from 21% to 9% (State Statistics Committee, 2001).
- Increase in private sector and agricultural employment from 41% to 65%, leading to involuntary loss of skills among former employees of industrial enterprises and the social sphere now obliged to engage in lower-skilled work.
- Disintegration of the system of government support for socially vulnerable categories of people, including the jobless, as a result of the almost 10-fold reduction in the fiscal revenues of

Figure 1

Republic of Tajikistan: Labor Force by Sector



the state budget in the final decade of the 20th century: from \$1.5 billion to \$200 million (World Bank, IMF, country reports on Tajikistan for 2001).

- Sharp spontaneous increase in labor migration from Tajikistan, especially illegal, unregulated, seasonal and commercial, estimated at about 200,000 people according to the data of the Ministry of Labor and Social Protection of Tajikistan and official statistics, and at 600,000-800,000 people according to independent experts and the International Organization for Migration.² Given that in 1997 the country's economically active population was 1,839.7 thousand or 30.4% of its total population, the number of working age people employed outside the republic in peak periods (seasonal migration) was over one-third.

Table 1

Labor Force and Employment, 1985-2004 (thou)

	1985	1990	1992	1997	2001	2002	2003
Population	4,631	5,361	5,567	5,876	6,376	6,507	6,640
<i>including:</i>							
working age	2,209	2,514	2,597	2,929	3,397	3,573	3,740
nonworking age	2,422	2,847	2,970	2,947	2,979	2,933	2,900
Urban	1,519	1,677	1,653	1,566	1,691	1,720	1,758
Rural	3,112	3,684	3,914	4,310	4,685	4,787	4,882
Labor force participation rate	76,1	77,3	73,6	63	55	53	55
Total labor force	2,175	2,469	2,675	2,909	3,301	3,477	3,644
<i>Of which:</i>							
Government employees	1,173	1,255	1,110	761	520	517	481
Public sector	238	315	397	411	550	511	542
Private sector	270	369	403	620	760	830	863
Officially unemployed persons	8	51	43	47	47
Students	216	231	230	192	357	395	399
Working age population employed at home	278	299	530	875		1,178	1,313

Source: [www.imf.tajik.net]

The economic costs of **unemployment** are colossal. According to experts, its increase by 1% entails a loss of 2% of the gross national product. That is why a comprehensive approach to the solution of this problem should be ensured by purposeful improvement of the whole socioeconomic system, with the social state playing the leading role.

² See: S. Olimova, I. Bosc, *Labor Migration from Tajikistan*, IOM, July 2003.

This rough model calculation is clearly confirmed by the situation in Tajikistan, where the 60% decline in GDP in the period from 1991 to 1997 coincided with an increase in the rate of unemployment from “zero” to one-third of the country’s working age population (World Bank data not confirmed by government statistics).

Unemployment in Tajikistan has a cyclical, systemic and, consequently, long-term character. The painful restructuring of the real sector, the shutdown, collapse and segmentation of over-staffed industrial giants lead to massive staff reductions and to “hidden unemployment,” when officially employed persons in actual fact do not work and do not get the appropriate material compensation.

As noted above, the extreme unattractiveness of the local labor market against the background of regional isolation problems and poor prospects for a revival of the domestic business climate induces the bulk of the country’s working age population (as a rule, the most qualified and mobile persons) to go abroad in search of work.

All of this clearly leads to the conclusion that the economic losses from the outflow of labor from the country are immense. From the perspective of future sustainable development, the situation is even more threatening, since the highly skilled stratum of working people leaving Tajikistan to look for jobs abroad is not compensated by social institutions providing professional training in the republic. Given the general trend toward a crisis of the education system, the professional training system has also lost its basic material, educational and teaching resources so that it can no longer meet the needs of the national economy, especially against the background of a massive outflow of able-bodied people to other countries.

The loss of the most qualified segment of Tajikistan’s workforce through migration “undermines” the prospects for a long-term economic recovery and reduces the opportunities for an inflow of real investment (both domestic and foreign) into labor-intensive sectors, which in the past traditionally had objective competitive advantages and could now act as a locomotive of the national economy.

In the short term, current labor migration processes mostly influence the economy through the buildup of significant amounts of cash, goods and other assets created outside the country and imported into Tajikistan. Another obvious danger of this phenomenon is that the state cannot predict the amount of capital inflows from abroad in the form of labor migrants’ earnings and, consequently, cannot print an equivalent amount of domestic currency (in this case, somoni). Hence the risk of currency substitution due to the influx of significant amounts of capital in hard currency which cannot be predicted within the framework of official monetary policy.

The main agency of the state’s monetary policy—the National Bank of Tajikistan (NBT)—in close cooperation with the State Migration Service, the Ministry of Labor and Employment, and the State Statistics Committee should work to ensure proper statistical recording of the actual amount of financial resources remitted through various channels by labor migrants and should explore the possibilities for utilizing these resources and putting them into official circulation. Such a measure, for its part, is impossible without enhancing the attractiveness and extending the range of services available in the financial and banking sector of the country’s economy.

In 2002, in the absence of reliable information, analysts cited data on the inflow of about \$60-100 million through labor migration channels, including, for the most part, the informal economy. If we accept these data, we will find that the stated amounts, being equivalent to about 25-40% of the country’s budget revenues, had a significant effect on its limited markets and investment preferences, limited as they were. Given the lack of public confidence in the official financial system, this created a situation where the capitals of migrant workers “tended” toward the real estate market (in 2000-2003, real estate prices rose by about 200-300%); they helped to fill the country’s commodity markets with various consumer goods continuously supplied by “shuttle traders,” and also promoted

moderate investment in small and medium enterprises (SMEs) operating, for the most part, in the service sector (i.e., those with lower risks and shorter payback periods against the background of a generally unfavorable regulatory environment). In addition, one can agree with the conclusions of the IOM report, *Labor Migration from Tajikistan* (July 2003), regarding the fact that a significant proportion of labor migrants' capitals earned abroad and carried into Tajikistan is mostly used for consumption and for buying essential goods to support households whose able-bodied members work abroad. Consequently, these funds are used for investment purposes to a lesser extent.

The dynamics for 2003 shows a more favorable picture, since tighter cash transportation rules and growing safety risks, on the one hand, and the offer of a more liberal, simplified regime for transfer of funds through official bank channels by Tajik banks, on the other, led to a sharp increase in the proportion of funds remitted by the country's migrant workers through Tajik banks. According to the Ministry of Finance, in 2003 the total amount of migrant remittances to accounts with Tajik banks in favor of recipients (friends and relatives) in Tajikistan was over \$80 million. The trend toward an increase in the share of official remittances has a whole range of favorable economic consequences, since it improves statistics, increases bank assets and credit opportunities, etc.

This "turning point" in the situation—the switch to active use of official bank channels for migrant remittances—was in large part connected with the significant simplification of the system of international transfers for individual citizens of Tajikistan (migrant workers) that took place in 2002: (a) the abolition of the requirement for mandatory sale of 30% of foreign exchange earnings transferred to the accounts of Tajik residents and (b) the introduction of an authorization procedure for currency transfers not requiring the individual recipient to open a foreign currency account.

Estimates of remittance inflows for 2004 range from \$433 million (official NBT data used in balance of payments statistics) to \$1 billion (unofficial estimates which include the clearing system and imports of goods), or about 21-50% of GDP.

According to the data of the Ministry of Labor and Social Protection announced by Minister Z. Vazirov, as of 1 December, 2005, 441,171 Tajik citizens had officially left the country as labor migrants (registration data from migration cards). Out of this total, 412,123 persons had gone to neighboring countries in search of seasonal work, and 29,000 persons, for other reasons. A survey conducted by the Ministry showed that at the end of 2005 about 400,000 labor migrants from Tajikistan were working in the Russian Federation, about 2,000 in Kazakhstan, and 3,000 in other CIS countries. In 2005, only 156 Tajik citizens found jobs abroad through the domestic labor recruitment system, i.e. through Tajik employment agencies, which shows the extremely poor development of such services in the republic.

The International Organization for Migration (IOM 2005) gives a different figure: as of 18 May, 2005, 620,000 Tajik citizens had left the country in search of work; and the estimates of the Russian Federal Migration Service are in the region of 600,000-800,000 people.

In 2005, official remittances from migrant workers reached a peak of \$600 million, which is 25% above the 2004 level and almost double the amount of official development assistance (ODA) to Tajikistan in 2005 (\$320 million). This trend reflects not only the increase in labor migration, but also the growing confidence of Tajik citizens in the domestic banking system. Over the past year, banks have come to realize the advantages to be gained from attracting migrants' deposits and remittances; as a result, virtually all Tajik banks—in cooperation with Russian partner banks—are now competing with each other for customers, launching a drive to simplify transfer procedures, reduce commission fees and go over to rapid (instantaneous) transfer systems for migrant remittances.

According to the Ministry of Labor and Social Protection, 46% of labor migrants from Tajikistan are employed in construction (mostly low-skilled labor), 29% in trade and services, 14% have no regular

job, 3% are employed in education, and 5% in health care. The families of labor migrants receive an average monthly remittance of \$100 from one working person. About 60% of Tajik migrants have no professional qualification or skills, while qualified people are employed as doctors, teachers, engineers and technicians (12%); 7% work in agriculture.

A survey carried out by the Kontakt banking system (Russia) shows that migrant workers from Tajikistan send home an average of about \$100-150 per month.

According to unofficial estimates by Professor Hojimahmad Umarov, a well-known Tajik economist, in addition to the \$600 million remitted through official channels in 2005, another \$400-500 million was remitted in kind (import of goods) and through the so-called "hawala" system, i.e., transfer of money to compatriots who have business or other pecuniary interests in the host country (Russia) and who subsequently organize the transfer of cash to migrants' friends and relatives at home. This channel was widely used until 2003-2004; today it is losing its popularity because confidence in bank transfers has been growing.

So, migrant remittances in 2005 constituted 25% to 30% of GDP, 45-75% of total imports, and 136-226% of Tajikistan's annual budget revenues. These figures are very high by international standards: for example, such remittances constitute 25% of GDP in Moldova, 19% in Lesotho, and 18% in Jordan (IMF and World Bank data, 2005).

Up to now, there has been no official policy in Tajikistan designed to stimulate, legalize and protect labor migration. Today, in view of the growing macroeconomic and social importance of the labor migration phenomenon, the Tajik government should come to realize the increasing importance of labor migration for the country as the dominant source of foreign exchange earnings, a guarantee of economic and social stability, a key factor behind the growing imports of food and consumer goods and, consequently, the main driving force behind economic growth in Tajikistan. The country's authorities should do their utmost to legalize the status of labor migrants (especially in the host country) by intensifying negotiations with the authorities of the Russian Federation and by simplifying formalities and bank transfer procedures still further.

About 94% of all remittances are now used for consumption by the families of labor migrants. It is precisely these remittances (and not the efforts of the government or other factors) that have largely contributed to poverty reduction in Tajikistan from 89% to 63% (from 1999 to 2004).³ In view of the "weak" investment and business climate, and also the limited range of investment targets, migrants virtually do not reinvest their earnings in the development of small business, small-scale production, service facilities, etc., within Tajikistan. One of the reasons for the shortage of investment targets is the extremely high cost of real estate (especially in the capital, Dushanbe).

According to generally recognized IMF and World Bank findings, labor migration from Tajikistan plays a significant stabilizing role, ensuring an inflow of hard currency, supporting domestic macroeconomic stability and the balance of payments, and helping to maintain living standards and consumption levels for the bulk of the population, so easing the burden of poverty.

Migrant remittances have done a great deal to increase the import of consumer goods, domestic consumption, revenues from import tariffs and, accordingly, budget revenues as a whole. Consequently, they have had a significant effect on the general trend toward economic growth recorded in recent years.

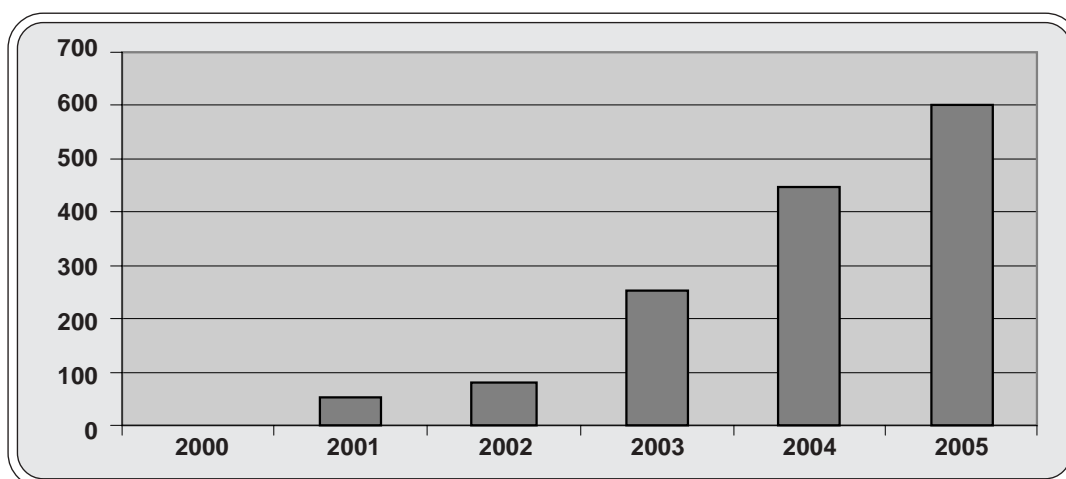
In the short term, labor migration will ensure a stable source of hard currency required to maintain balance of payments stability and offset the country's weak positions as regards investment and capital inflows.

On the negative side, labor migration reduces the supply of skilled labor within the country (in both urban and rural areas), which torpedoes long-term projects for the development of new lines of

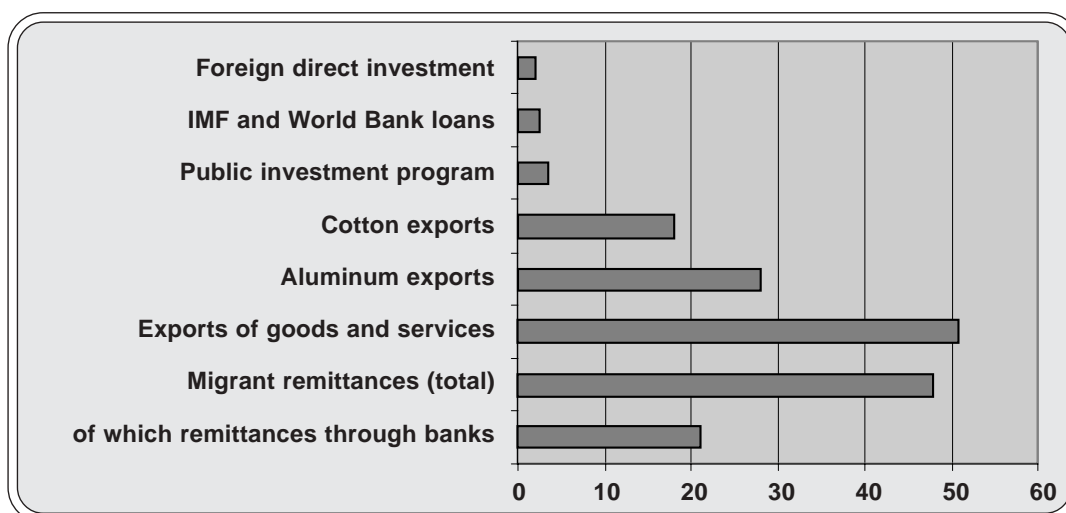
³ See: *Republic of Tajikistan: Poverty Assessment Update*, World Bank, January 2005.

Figure 2⁴

**Migrant Remittances
to Tajikistan Through the Banking System
(in US\$ million)**

Figure 3⁵

**Tajikistan: Sources of Foreign Exchange, 2004
(in percent of GDP)**



production and has a generally adverse effect on the potential for new projects and economic development based on the use of domestic labor resources.

⁴ See: A. Kireyev, *The Macroeconomics of Remittances: The Case of Tajikistan*, IMF Working Paper 06/2.

⁵ Ibidem.

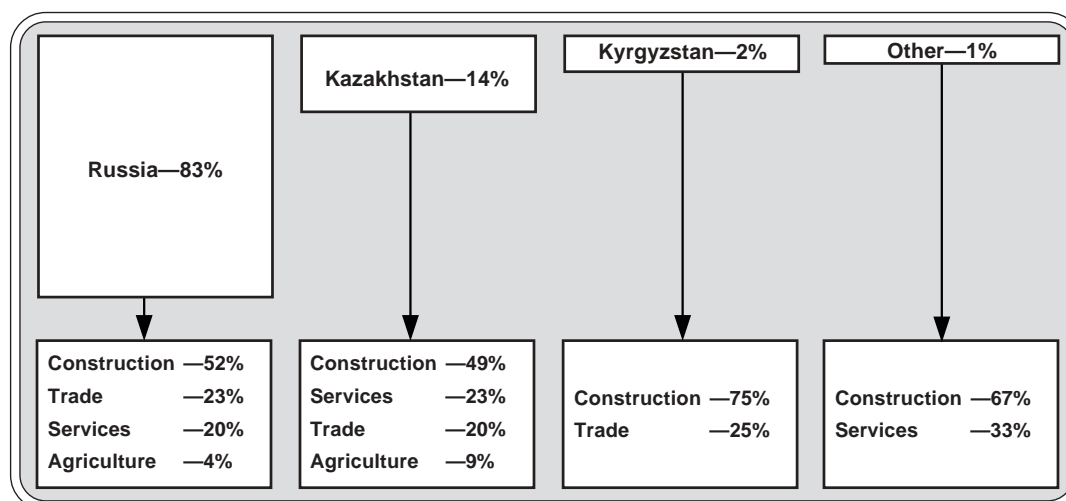
Table 2

Income Statement of a Typical Migrant Worker from Tajikistan⁶

	Per season	Per month
Gross earnings	2,700	300
Fixed expenses, including:	410	
Transportation	330	
Border crossing	30	
Other	50	
Variable expenses, including	945	105
Food	540	60
Accommodation	225	25
Police	135	15
Other	45	5
Net earnings (remittances)	1,345	150

Figure 4⁷

Geographic Destinations of Labor Migration from Tajikistan and Employment Areas

⁶ See: *Tajikistan Trade Diagnostic Study*, December 2005 (Sharq Survey, 2004).⁷ Ibidem.

Another negative aspect of labor migration is that while ensuring a steady inflow of foreign exchange and stimulating domestic markets, the national economy exports its resources and its economic growth and development potential through mass labor activity by Tajik citizens in other countries. The export of socioeconomic development reduces the necessity and urgency of domestic economic and structural reforms as regards an improvement in the domestic and business climate, economic restructuring, development of domestic labor-consuming lines of production, an increase in labor productivity, etc. By postponing the necessary structural reforms, the government becomes dependent (including politically) on possible changes in the regime of external labor migration in the host countries, such as Russia and Kazakhstan.

This means the government should make an effort to improve the business environment and lower the internal administrative barriers to business activity so as to enhance the country's attractiveness as an investment destination. Among other things, this will create favorable conditions for the reinvestment of migrant remittances in the development of private business within the country, helping to create new jobs in Tajikistan.

The positive macroeconomic (mostly external economic, e.g. capital import) effect of migrant remittances should not be a substitute for government efforts to pursue a reasonable macroeconomic policy, carry out reforms, upgrade regulation, enhance the transparency and stimulate the development of small and medium-scale private business, etc.

According to estimates by the Sharq Research Center, labor migrants are faced with the choice of earning about \$20 per month within the republic or \$150 per month in neighboring countries, and they often opt for the latter.

On average, migrant workers remit to their families over \$1,000 during the season, which has a direct effect on household income. As confirmed by the World Bank's Poverty Assessment Update, labor migration has had a crucial influence on reducing extreme poverty in the country from 79% to 64% (1999-2004). At present, the World Bank is planning to conduct another survey and to update its poverty assessment. According to preliminary estimates and expectations, the poverty rate will be under 50% (mostly due to constantly growing labor migration).

To summarize, let us draw attention to the following macroeconomic effects of migrant remittances on Tajikistan's domestic economy:

- Significant facilitation of socioeconomic recovery processes after the civil war of the 1990s, which has helped to cushion the impact of the sharp drop in household income and to diffuse the extremely tense social situation in the country as a whole, especially in regions involved in conflicts.
- Strong incentives to consumption, food imports and economic growth. Rough estimates for 2004 show that per capita gross national disposable income (GNDI) was \$342, or 15% higher than GDP per capita, which takes no account of the actual income of Tajik citizens earned abroad.
- Coverage of 80% of the growing trade deficit, which reached 19% of GDP in 2004 (i.e., import financing).
- Contribution to maintaining a manageable current account deficit.
- Promotion of efforts to optimize and enhance the efficiency of the banking system, strengthen bank capital and deposits, and encourage competition in the domestic financial market.

The inflow of migrant remittances presents a number of challenges for macroeconomic policy. Whereas the short-term impact of these remittances is obvious and positive, their long-term effect will

depend on a number of trends and models. So far migrant remittances are a stable source of external financing (even more stable than foreign direct investment or official development assistance), but their inflows are heavily dependent on political factors, so that they may become extremely volatile. This is particularly true of the remittances of seasonal migrants, who usually have no legal status and are employed in low-skilled jobs without any labor contract; their rights are widely violated and they can be expelled from the host countries at any moment given more stringent migration rules. This dependence on changes in the political and economic conjuncture should be resolved at government level by going over from a passive neutral policy on labor migration to an active policy designed to create the best possible and open conditions for stimulating organized and legal processes of labor migration from Tajikistan to neighboring countries, to organize refresher courses in specialties that are in high demand, to arrange basic legal training for Tajik migrants and help them raise their general cultural standards, to sign direct contracts with employers from the host countries, and to conclude appropriate political agreements and protect the rights of Tajik citizens working in these countries.

REGIONAL POLITICS

**REVOLUTIONARY AND
POST-REVOLUTIONARY PROCESSES ACROSS
THE POST-SOVIET EXPANSE:
CAN THEY BE COMPARED?
(Ukraine and Kyrgyzstan)**

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Recently the academic and political communities have been showing great interest in the so-called Color Revolutions in the CIS. There are doubts, however, whether the revolutions in Georgia, Ukraine, and Kyrgyzstan can be placed in the same class of political phenomena and whether a comparative analysis can produce any significant results. Anyone willing to compare them should decide, first, whether these events belong to the same class, were caused by similar factors, and produced similar impacts and, second, whether they can be described as revolutions at all.

I would like to discuss this in my article and compare the so-called revolutionary events, their causes, and their consequences in Ukraine and Kyrgyzstan—enough time has elapsed since the regime change in both countries to permit a more or less objective analysis.

* * *

To understand which factors set the so-called revolutionary processes in motion, we should first compare the two countries' political and socioeconomic development in the Soviet Union and after its disintegration.

Haunted by the fear of Ukrainian nationalism and wishing to ease the task of governing the republic, the Bolsheviks added several, predominantly Russian, regions to the Ukrainian territory proper. The Donetsk Basin, Novorossia (the Black Sea coast of Russia), and later, in 1954, the Crimea, which never belonged to Ukraine before, became part of it. Today this territory is described as Eastern, or Southeastern Ukraine.

Under Soviet power, these areas lost much of their previously Russian makeup thanks to mandatory teaching of the Ukrainian language and literature at secondary schools and Ukrainian TV. Huge numbers of people from western Ukraine moved, or were forced to move to the republic's east, etc. This, however, did not create a single Ukrainian nation; people in the east never thought of themselves as Ukrainians and continued using the Russian tongue. After moving to the east, western Ukrainians quickly blended into the predominant mass of people, started using Russian or a dialect commonly known as "surzhik," a mixture of Russian and Ukrainian. In Soviet times, the titular nation accounted for 75 percent of the total population, but a large number of them used Russian as the native tongue and, on the whole, belonged to Russian culture, their Ukrainian affiliation being purely token. This means that the obvious split between the Western and Eastern Ukrainians (if the latter can be described as such at all) became obvious under Soviet power. Their national and linguistic affiliation was not a big problem under the common Soviet roof, but it created many stumbling blocks in the political development of independent Ukraine.

In Kyrgyzstan, Soviet power addressed a more or less similar problem—that of uniting the Kyrgyz into a single nation and of settling the local nomadic tribes. It did not totally succeed: the split survived and spread to the political sphere, in which there were the Southern and Northern groups of the political elite. However, in a country that was part of a large single state, the political rivalry, even if potentially dangerous for the political system as a whole, was not obvious. In the republic inundated by Russian speakers, consolidation of the local people developed slowly. As a result, under Soviet power the share of the titular nation dropped to 42 percent. What is more, the Russian speakers who continued coming to the republic's north and large cities made the North-South gap even more obvious and created another dividing line—between cities and the countryside. This means that a single ethnos could not be formed in Kyrgyzstan either—this is where the present political split is rooted.

Social, economic, cultural and axiological splits added tension to the obviously contradictory state and national relationships in Ukraine and Kyrgyzstan. Under Soviet power, Ukraine's east developed into a huge fuel and industrial complex based on metallurgy, coal mining, and the military-industrial complex, while the west remained largely agrarian and much less urbanized.¹ This had its impact on the living standards in the republic's west and east, which means that economic disproportions were widening the gap.

Similar processes were underway in Kyrgyzstan: under Soviet power the republic's north was the seat of local industries (machine-building and metalworking), which produced two-thirds of the republic's industrial production.² This speaks of economic and, consequently, social disproportions (the standard of living and urbanization).

Cultural and axiological values, religion and political culture in particular, were no less important. Official atheism of the Soviet period notwithstanding, a latent religious split in Ukraine was always present. Western Ukraine mainly belonged to the Uniat (Greco-Catholic) and Roman Catholic churches. Ignoring the official bans, people remained loyal to their church, which under Soviet power

¹ To better grasp the scale of Eastern Ukraine's industrialization we should bear in mind that the Donetsk Region of the Ukrainian S.S.R. alone came third in the Soviet Union in terms of total industrial production volume.

² See: "Kirgizskaia Sovetskaia Sotsialisticheskaia Respublika," *Bolshaiia Sovetskaia Entsiklopedia*, editorial board: A.M. Prokhorov, editor, *et al.*, 3rd edition, Vol. 12, Moscow, 1973, p. 166.

was seen as opposition to the official authorities, which could not control it. The position of Christian Orthodoxy in Western Ukraine was weak at all times. The east was much less religious; those who attended church were mainly Orthodox Christians much more loyal to power. Under Soviet power, the Christian Orthodox Church was in fact used to meet the interests of the state. In independent Ukraine, part of the Christian Orthodox Ukrainian Church (the Kiev Patriarchate) refused to recognize the Patriarch of Moscow as the head of the local church. Political culture in the country's two parts differed substantially, which stemmed from the local political and religious foundations: the west demonstrated strong dissident feelings and opposition to power, such feelings being practically absent in the east.

In Kyrgyzstan, the north was much less religious than the south. The northern Kyrgyz first embraced Islam in its simpler (nomadic) version fairly late, which means that they mainly concentrated on rites and customs. Nineteenth-century eyewitnesses testified that most of the local people knew nothing about the Pillars of Islam and were ignorant of the Prophet's name; they remained pagans. The southern Kyrgyz, who settled much earlier and became assimilated with the Uzbeks, were much more religious and knew more about Islam and its Sufi variant.

It can be said that the structural (objective) factors of the political process in Ukraine and Kyrgyzstan were similar in many ways: the actual absence of a single nation, subethnic regional groups (in Kyrgyzstan there is also clan division), and socioeconomic and cultural-axiological gaps. This means that independence exacerbated the problems in both republics, thus greatly affecting the transformations of political regimes with negative results in both cases. An analysis of structural factors suggests that in Ukraine and Kyrgyzstan alike there were considerable prerequisites for political polycentrism, that is, for actors and institutions preventing one center from monopolizing power.

* * *

Let's have a look at the key political stages that predated the so-called revolutions in these republics.

When the Soviet regime was nearing its end, a powerful opposition (anticommunist) movement represented in particular by V. Chornovil's Narodny Rukh came into being on the basis of the dissident movement and informal culture. The Communist Party and its elite led by Leonid Kravchuk, Secretary of the C.C. Communist Party of Ukraine, managed to snatch up the slogans of democratization and independence and stay in power. They contributed to the Soviet Union's disbandment, the 1991 independence referendum, and the presidential election that made Kravchuk the first Ukrainian president. The first and all other presidential and parliamentary elections in Ukraine were genuinely competitive. They deepened the split into West and East and moved the traditional dividing lines onto the political plane: in 1991, Leonid Kravchuk, who represented the East, triumphed over pro-Western Chornovil; in 1994, pro-Russian Leonid Kuchma competed with Leonid Kravchuk, who by that time was seen as a pro-Western figure and defeated him. In 1999, the East, represented by Communist Petr Simonenko, lost the race to Leonid Kuchma, who was now seen from the East as a pro-Western figure. The election scripts, rivals, and slogans were different, but confrontation remained regional. There was no rotation in the upper echelons of power—the opposition stood no chance at this election. It should be said that even the “communist vs. democrat” (Simonenko-Kuchma) opposition left the eastern electorate indifferent—what was important was Petr Simonenko's pro-Russian stand. The split affected the party system as well: the Communist Party was seen as the party of the East, a fact best illustrated by the election returns.

At the 2004 presidential election, Petr Simonenko came third after Viktor Ianukovich and Viktor Iushchenko in the southern and eastern regions; in the west, leader of the Socialist Party Alexander

Moroz came third. This means that the candidates' party affiliation was of secondary importance for the voters after their regional East/West affiliation and, broader still, Russia/Europe choice.

The opposition stood no chance of coming to power, but it won enough seats in the Rada to deprive the ruling elite and Leonid Kuchma of control over the parliament. The opposition was too disunited to score a victory, while the ruling circles deliberately restricted its access to the media, manipulated candidate registration, and went as far as falsifying the election results. The polycentric nature of the political regime described above and a series of splits made the opposition indestructible and impossible to abolish. Unable to gain power through elections, the opposition sought other, including informal, ways: mass actions under the slogan "Ukraine without Kuchma!", numerous protest rallies, as well as several attempts of the parliament at impeaching the president. Those elite members who Kuchma excluded from his closest circle became a counter-elite, the two parts of which were headed by former premier Viktor Iushchenko and former vice-premier Iulia Timoshenko, who saw their aim as rallying the opposition and coming to power. They succeeded in setting up a large parliamentary faction called *Nasha Ukraina* (Our Ukraine). It failed, however, to win the absolute majority. On the other hand, the leaders of the counter-elite, aware that a rivalry with the ruling elite within the formal institutions had no future, followed a different scheme for coming to power. Using falsification of the presidential election issue as a pretext, they by-passed the existing institutions. The same device was employed at least six months earlier. The public received a clear message: a fair election should bring Iushchenko to power; a different outcome could be achieved only through the criminal manipulations of the authorities. Frequent repetitions produced the desired effect. What is more, by the beginning of the 2004 presidential election, the opposition was already functioning in favorable conditions. First, it relied on a powerful public, including youth, movement: too many people were dissatisfied with the Kuchma regime, the level of the country's economic development and lack of rotation in the upper echelons. Second, the ruling elite and President Kuchma, with the help of Russian President Vladimir Putin, provoked a regional split unprecedented in the country's history. They placed their stakes on Premier Viktor Ianukovich, who represented the Russian-speaking Donbass, could hardly speak or write Ukrainian, had two criminal convictions, and was closely connected with the Donetsk Clan (the Donetsk mafia to borrow the opposition's favorite term), which united the business elite in control of the larger part of the Ukrainian economy. This choice created the West-East confrontation and supplied the opposition with an object of severe criticism. The fact that Vladimir Putin openly supported Ianukovich, while the candidate himself never tired of repeating that strategic partnership with Russia was one of his priorities. This added fuel to the fire and deepened the political polarization. Russia was accused of putting pressure on the Ukrainian electorate and imposing one candidate on them (in some places the pressure produced a different effect: nothing else can explain the fact that a meager 15 percent supported the opposition candidate in the Russian-speaking Crimea). Finally, Ukrainian big business played its part: its members feared that the Donbass Group would concentrate economic power in its hands; if their candidate won, they might even monopolize all of Ukrainian business. Several members of big business closed ranks around Iushchenko; the opposition skillfully used its contacts abroad; it spoke a lot about the need to "defeat Kuchma's authoritarianism" and "protect human rights." Any objective observer would have never called the republic's political regime mono-centric or authoritarian—the opposition was legally operating in the country and improved the financing of the opposition activity through different channels. A unique combination of these factors led to the so-called Orange Revolution. I am absolutely convinced that it was a product of the deep-cutting split in the elite and a situation in which the counter-elite had no choice but to seize power virtually by force and legalize the results through a general election. In other words, the ruling elite, which made it impossible for the opposition to come to power through legal channels, was finally forced to cede power in the context of a political split and as a result of mass actions.

I would like to say that the split inside the elite was not a regional one: the opposition leaders did not represent the Western regions (Viktor Iushchenko was born in the Sumy Region bordering on Russia, and Iulia Timoshenko comes from the Russian-speaking Dniepropetrovsk Region). The opposition posed itself as pro-Western and anti-Russian to a certain extent—this alone was enough for the Western Ukrainian regions to view it as “their own” political force, and by the same token it became unacceptable to the East (this was convincingly confirmed by the “mirror” election results in the west and the east).

The Ukrainian crisis can be described as a crisis of “political involvement” caused by the ruling elite itself: it looked at the demands and actions of the political forces wishing to gain power, that is, gain access to political decision-making, as illegitimate. This crisis, as all other similar crises, offered two solutions to the ruling elite: institutional adaptation (setting up new institutions and establishing new procedures as a result of an agreement between the elite and counter-elite), or the authoritarian method (repressions that would limit political involvement by force).

The ruling elite and Leonid Kuchma himself were obviously not ready to use authoritarian methods: the use of force might have only worsened the situation even if the army and militia had obeyed the order to use force (which was highly doubtful). The time for institutional adaptation was lost. When Viktor Ianukovich and his circle started discussing the possibility of sharing power with the opposition after the repeated elections, a package agreement was no longer possible. Aware of its victory and acting under the strong pressure of the masses, the opposition could not talk to the government about dividing the spoils. Such talks, which were possible on the eve of the second round, were doomed after it. It was obvious that the winner (the opposition) would take all and would not share the power thus gained with the former elite. The old rulers and the Russian leaders showed once more that political foresightedness was not one of their virtues: they shortsightedly spoiled relations with the future Ukrainian president.

To what extent can the political pattern described above be applied to Kyrgyzstan? The republic lacked strong dissident and human rights traditions, yet during Soviet times part of the national intelligentsia, writers in particular, was in opposition to power. Late in the 1980s, discussion clubs and somewhat later proto-parties appeared in the republic; there was an attempt to set up the National Front of Kyrgyzstan (to emulate the popular fronts in the Baltic republics and Narodny Rukh in Ukraine) cut short by the Communist Party of Kyrgyzstan (C.P.K.). Later the Kyrgyzstan Democratic Movement (KDM) appeared, an umbrella structure for 24 informal democratic alliances and a group of KDM supporters in the republican Supreme Soviet. By 1990, the communist leadership split into the reformers, who supported perestroika and were themselves encouraged by the Moscow “democrats,” and the conservatives headed by the First Secretary of the C.C. C.P.K. A. Masaliev, who wanted to keep Soviet order intact. This split followed the North-South dividing line: the northern elite had been removed from power earlier. The October 1990 presidential election in the Kirghiz S.S.R. made the split obvious: neither A. Masaliev, nor his main rival M. Sherimkulov won in the first round. As a result “democrat” Askar Akaev supported by Moscow reformers appeared out of nowhere to carry the election. During the very short period (1990-1991) when the newly elected president and the C.P.K. conservatives existed side by side, Askar Akaev consolidated his position, while the C.P.K., after supporting the failed coup of the State Committee for the Emergency Situation in August 1991, lost its political dividends. History demonstrated that in those Union republics where the communists borrowed the slogans of the local opposition they managed to remain in power. They declared themselves to be “genuine” democrats and nationalists and disbanded the Communist Party by banning it or transforming it into a “democratic” one. L. Kravchuk in Ukraine, I. Karimov in Uzbekistan, S. Niyazov in Turkmenistan, N. Nazarbaev in Kazakhstan, and B. Yeltsin in Russia followed this road, while in Georgia, Moldova, Armenia, Belarus, and Kyrgyzstan the communists lost power. New actors squeezed the orthodox-minded elites from the political process. Potentially there was another (East European)

way—an agreement between the elite and the opposition. None of the CIS countries followed this road for various reasons.

Askar Akaev identified himself as a democratic president wishing to build up effective democratic institutions in his republic described as an “island of democracy” in Central Asia to attract Western money. During the first period of his rule (approximately up to 1995), the president strove in earnest to set up a polycentric system and to achieve a balance between the elites by entering an informal pact with Speaker M. Sherimkulov and dividing formal constitutional powers between the executive and legislative branches. Later, however, under the impact of confrontation with the conservative-dominated parliament, economic recession, and corruption scandals, the president opted for a more effective authoritarian method of political troubleshooting. He started with closing down two opposition newspapers, in 1994 he disbanded the parliament in violation of the constitution, in 1996 he extended the president’s powers through a referendum, and finally in 2000 he ran for a third term and was elected. He launched criminal proceedings against some of his political opponents, Felix Kulov being the most prominent of them.

In Ukraine and Kyrgyzstan, the presidential elections made obvious the regional split, with clan overtones in the latter case. In 1995, Akaev ran against A. Masaliev who received 24.4 percent of the votes and Sherimkulov who received 1.7 percent. Masaliev’s considerable support in the south suggested that the voters rallied around a member of the southern clans who stood opposed to northerner Akaev rather than the communist leader. In 2000, Akaev ran against Socialist Party leader O. Tekebaev, who received 10 percent of the votes, the dividing line running along the South-North border, rather than in the political sphere (Felix Kulov, the president’s most dangerous opponent had been removed from the race long before the election day).

There, as in Ukraine, the regional splits affected the party system and made it much harder to build it up; the task was even more difficult in a country divided into regions as well as clans. Throughout the post-Soviet period, the regime in Kyrgyzstan remained polycentric with obvious biases toward authoritarianism as well as potential alternative power centers. The elections were not completely free, but the political opposition was operating legally; the president and the parliament remained opposed to each other, while the country was divided into the Center and regions. For this reason political monocentrism did not strike root. In Kyrgyzstan and Ukraine, the alternative power centers refused to obey the president and remained a political irritant.

After the 2000 presidential election when Akaev’s family (in the political and direct sense), in pursuit of total monopoly of power, stepped up its pressure in the political and economic spheres, the so far muted displeasure of the better-organized part of the opposition represented by the leaders of the regional elites burst to the surface.³ Like in Ukraine, the opposition united into the Popular Congress convened mass rallies in 2002-2003, long before the Color Revolution; the Kyrgyz opposition also needed strong leaders able to create a counter-elite and found them among the former top officials who Akaev had removed from their posts. They were former premier Kurmanbek Bakiev and former foreign minister Roza Otunbaeva (Kyrgyz Timoshenko). Like in Ukraine, they headed the opposition movement together made up of “first wave democrats” and members of rivaling clan elites Askar Akaev had pushed to the political fringes. Felix Kulov, who served a term in prison, was their martyr. The constitutional reform designed to redistribute the powers of the president and the parliament was seen as a cure for the “political involvement” crisis. Its implementation, however, dragged on and on until in 2003 President Akaev announced that the republic would shift to the presidential-parliamentary form of government no earlier than 2005.

³ See: N. Omarov, “Evolutsia politicheskoy sistemy Kyrgyzstana v 90-e gody XX—nachale XXI vekov: Itogi i perspektivy demokraticeskogo stroitel'stva,” *Politicheskii klass*, No. 6, 2005.

The 2005 parliamentary election confirmed that the president was resolved to tighten his grip on power even more and push the opposition further away from power. His numerous relatives and members of his clan, who had already established control over a larger part of the country's economy, decided that they needed deputy mandates to strengthen their positions. This, as well as the widely shared suspicion that Akaev was intent on running for president in December 2005 for the fourth time or transferring power by right of succession, forced the counter-elite to employ the falsification of election results device to weaken power (later the opposition leaders admitted that they had no intention of removing Akaev, particularly so quickly).⁴ The counter-elite, which mainly represented the southern clans, made use of the protest sentiments of the masses heated by the election results and which developed into popular riots that swept the country's south to come to power.

As distinct from Ukraine, the regime change was much more cruel and violent; it was not completely legal either (Akaev resigned and a new election was held after the counter-elite had already seized power, not before as happened in Ukraine). The new election, too, threatened to develop into another round of South-North confrontation represented by candidates Bakiev and Kulov (released from prison), respectively. (A similar situation could be earlier observed in Ukraine.) Unlike in Ukraine, none of the candidates expected to win the election on his own because none had the majority on his side. If they remained rivals, the elections could have created an even wider gap at best and led to a civil war at worst. The two main candidates preferred to join forces for the sake of a sure victory and distribution of power between the Northern and Eastern clans. In Ukraine, Viktor Iushchenko, assured of his victory in the third round, did not need a pact with Ianukovich. In Kyrgyzstan, Askar Akaev proved unable to apply the authoritarian method of crisis settlement: it turned out that control over the army and the police had been lost. Like in Ukraine, the time for institutional adaptation (an agreement on power redistribution) had been missed, therefore it was for the opposition members who represented the two main parts of the counter-elite to come to an agreement.

No matter what Askar Akaev said later, there was no confrontation according to the pro-Russian/pro-Western candidate pattern. An analysis of facts does not corroborate his statement. The former president tried to present the events as a coup accomplished "on foreign money and guided by those who had been coached abroad" and obviously anti-Russian.⁵ The opposition leaders, however, confirmed the republic's course aimed at establishing close relations with the Russian Federation and never provoked anti-Russian sentiments in the republic (this time Russia refrained from putting pressure on the electorate, as happened in Ukraine). The West's role in the Kyrgyz events was much less pronounced: the leading Western states were caught unawares—nobody expected the regime to collapse so fast.

The above shows that the causes and factors of the so-called revolutionary events in Ukraine and Kyrgyzstan were similar: the socioeconomic and cultural-axiological division spread to the political class; the opposition was deprived of legal means of coming to power (it consisted mainly of politicians the presidents of both countries removed from power and, in the case of Kyrgyzstan, a clan conflict combined with a regional conflict), as well as the desire of the ruling elite to retain power at all costs. The regime change was accomplished by unconstitutional means when an opportune moment (elections) presented itself. On the other hand, the polycentric nature of Ukrainian and Kyrgyz society (rooted in the structural factors described above) was responsible for the very presence of opposition actors and a counter-elite. This polycentrism cannot be removed by a decision from above: it was a structural phenomenon rooted in the societies' historical development.

⁴ See, for example, V. Panfilova, "V Kirgizii slozhilos dvoevlastie: Posle delezha dolzhnostey sleduet zhdat peredela sobstvennosti," *Nezavisimaia gazeta*, 28 March, 2005, p. 6.

⁵ See: A. Akaev, "Ob urokakh martovskikh sobyitiy v Kyrgyzstane," *Politicheskiy klass*, No. 4, 2005.

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The revolutionary events in Ukraine and Kyrgyzstan ended with the “winner takes all” scenario. The new opposition was prevented from distributing the key posts. Even in Kyrgyzstan, where the Bakiev-Kulov pact was entered, the first post-revolutionary cabinet consisted of members of the southern clans (the Osh and Jalalabad regions). The new rulers were obviously not willing to restore the regional-clan balance.

Kyrgyzstan and Ukraine had another important feature in common: during the course of their so-called revolution, there was a demand to change the form of government into parliamentary-presidential to be able to form a coalition government from the election victors. (In Ukraine, the authorities agreed to hold a third round of the presidential election, that is, accepted the opposition’s victory provided constitutional reform was carried out). Certain politicians went as far as talking about a changed political-territorial pattern under which the regions would enjoy more autonomy, or even about a federation. After winning the election, the former opposition no longer needed the reform and tried to delay it. More likely than not, there was no enthusiasm about it from the very beginning.⁶ The reform was a means of consoling the losers, who hoped to use it to regain power some time in the future. This explains several statements Viktor Iushchenko and Kurmanbek Bakiev made during the first “post-revolutionary” year to the effect that the reform was premature, that some time was needed to put the finishing touches on it, etc. In Ukraine, the decision on the reform was made before the presidential election in the form of constitutional amendments, which could not be annulled in haste. In Kyrgyzstan, it took much longer: quite recently the country learned that President Bakiev had received three versions of constitutional reform with different patterns of power-sharing between the executive and legislative powers.⁷ Still, it seems that such reform is the only possible way to avoid deeper rifts in both countries and exclude further possible “revolutionary” developments that bring to power one part of the elite representing, at best, half of the nation. So far, the elites in both countries are not insisting on federalization; in Ukraine, however, there is a lot of talk about regional autonomy, regional tongues, etc. In the context of continued confrontation these plans might endanger the state’s integrity.

The alliance between Bakiev and Kulov in Kyrgyzstan proved more durable than between Iushchenko and Timoshenko in Ukraine. The latter fell apart in September 2005 under the burden of never ending scandals and dissent. (At all times Iulia Timoshenko was much more radically minded on all the key political issues than her coalition partner.) The Bakiev-Kulov alliance survived a number of durability tests and managed several times to retreat from the brink of disintegration.

In both countries the new elite became involved in a serious conflict with the parliament, which did much to make its victory possible; a new opposition made up of former allies was another pain in the neck in Ukraine and Kyrgyzstan. The first Kyrgyz cabinet virtually fell apart, while the parliament insisted on the constitutional reform the president kept postponing. This might have ended with the disbandment of the parliament and another bout of street riots: it seems that the “mob” is developing once more into a political instrument. In January 2006, the Ukrainian parliament passed a vote of no confidence against the Ekhanurov cabinet because of the “gas agreements” with Russia.⁸ This is a more or less common “post-revolutionary” feature: the allies driven by the shared

⁶ Iulia Timoshenko says that Viktor Iushchenko, still a presidential candidate, dismissed her warnings about possible loss of power if the reform was carried out by saying that it was important to vote for it because later it should and could be annulled.

⁷ See: V. Panfilova, “Vybirat pridetsia prezidentu Bakievu: V Kyrgyzstane razrabotany tri predvaritel’nykh proekta novoy Konstitutsii respubliky,” *Nezavisimaia gazeta*, 22 June, 2006, p. 8.

⁸ Significantly, because of certain contradictions in the current legislation, the cabinet ignored the vote of no confidence and continued working.

desire to bring down the common enemy (people in power) cannot agree on the key post-revolutionary issues. In the fall of 2005, the Ukrainian opposition led by Yanukovich entered a non-aggression pact of sorts with President Iushchenko, thus gaining access to the media and a chance of running for parliament.

Since Viktor Yanukovich's Party of the Regions emerged victorious in the latest parliamentary election, logic suggested that the victors should be invited to participate in political decision-making. A coalition government thus formed would represent the entire country rather than just half of it. The election showed that the country remained divided and the gap had become even wider. There was the impression that the president would let this unique chance slip by: the election had created an unstable parliamentary coalition of three Orange forces (Our Ukraine, the Timoshenko Bloc, and the Socialist Party), which outnumbered the Party of the Regions faction. It did not prove easy, however, to build up an Orange coalition—this and the widely differing ideas of the Orange leaders suggested that the alliance would not survive long and that either a new coalition would appear, or the parliament would be disbanded. The first alternative was finally realized: a new coalition of the parliamentary majority was hastily knocked together out of factions of the Socialist party, the Party the Regions, and the Communist Party.

The president had either to recommend that parliament appoint Viktor Yanukovich prime minister or disband the Supreme Rada (the alternative Iulia Timoshenko was actively supporting). In August 2006, the president finally opted for the first genuinely coalition cabinet in Ukrainian history. It included representatives of the majority (the Party of the Regions, Socialist and Communist parties) as well as of the pro-presidential Our Ukraine Party. The security structure ministers the new cabinet inherited from the previous one were the president's personal choice. President Iushchenko was obviously more apprehensive about Timoshenko than Yanukovich and his party. For the first time the cabinet represented the entire country, not part of it, and this was why it looked more stable and more efficient than the Orange structure. Time ran back to the lost chance of "constitutional adaptation." The elite achieved an agreement between its parts, thus realizing the opportunity that presented itself between the second and third rounds of the November-December 2004 presidential election and later, after Timoshenko's cabinet resignation in September 2005. The elite finally realized that power and responsibility for the collective decisions should be shared not only inside the ruling group, but also between the government and the opposition. What is more, the opposition was allowed, through an agreement with the government rather than through the use of threats and violence, to take part in decision-making for the first time.

Redistribution of property followed the elections in Kyrgyzstan and Ukraine—an inevitable stage in countries where power and property are intimately connected (this can be said about almost all post-Soviet states). The process was also triggered by the plummeting standard of living, which reduced the confidence level and caused doubts about the legitimacy of those who ruled the country. There were two other reasons for this: people learned to expect much of the "revolutions," while the new leaders proved unable to go to the root of their countries' socioeconomic evils and limited themselves to populist promises of larger allowances, benefits, and pensions. The new Kyrgyz and Ukrainian elites revealed their inability to unite the disunited countries either by speeding up economic growth and achieving higher living standards or by tapping the common axiological potential.

This raises the question: Can these events be described as revolutions? If a revolution presupposes a change in political regime, neither event can be described as such. They should be interpreted as "political involvement" crises caused by the society's political polycentrism, on the one hand, and the ruling elites' obvious reluctance to share power with the counter-elite, on the other. Those who ruled the country refused to admit that the counter-elite's claims to power were legitimate—they were resolved to hold on to power at any price and as long as possible. This might bring success in systems free from structural polycentrism and independent political actors (Uzbekistan and Turkmenistan are

two relevant examples). In polycentric systems polycentrism is bound to become a pressing problem and pressure and bans are not effective: the counter-elites merely tap the nation's protest potential to achieve their aims without introducing radical changes (there are still no free media, the new rulers are obviously unwilling to share power with the opposition, and no one is in a rush to carry out constitutional reforms). The events in Kyrgyzstan and Ukraine did not resolve the conflicts—they stirred up the old ones and made them even worse. The conflicts rooted in regional and clan division merely widened the gap and made the confrontation much fiercer. On top of this, the upper echelon in Kyrgyzstan is involved in the criminalization of government: criminals are seeking parliamentary seats, assassinations have become a frequent feature, while the rulers are accused of contacts with organized crime. Under these conditions, no one can expect the political system to become democratized or political conflicts to be institutionalized. The recent Ukrainian developments demonstrated, however, that the new rulers were willing to share power with the opposition to minimize the threat of more crises to which a polycentric society is prone. Time will show to what extent this will stabilize the political system and help institutionalize the conflicts.

The time has come to decide whether the two models of political development in the context of the “political involvement” crises can be compared at all. The course and results of both “revolutions” were obviously different: there was no clan confrontation in Ukraine; unlike Askar Akaev, who had no official “successor,” Leonid Kuchma did nothing to cling to his post. In Kyrgyzstan, the presidential candidate had no rivals thanks to an agreement with the most serious of the contenders. In Ukraine, bitter rivalry extended to the third round. The coup in Ukraine used no violence and shed no blood, while in Kyrgyzstan the use of force and violence was obvious. The pattern, however, was similar, and the similarities were no chance coincidence. There were similar structural arrangements in both countries and more or less similar strategies the old elite employed, thus dooming itself to defeat and depriving itself of the opportunity for political resurrection.

The general pattern can be described as follows: a polycentric society with overlapping splits; a gradual concentration of power by the ruling elite that blocks the road to power to all other forces; a counter-elite relying on former top people and the mass protest movement; the old elite's inability to reach a compromise with the counter-elite, on the one hand, and its reluctance to use power to end the crisis, on the other; the counter-elite's illegitimate victory secured by mass actions and its consequent legalization through elections; emergence of a new elite that represents one political force (clan) according to the “winner takes all” principle; instability and impotence of the newly formed governments; a conflict inside the elite between the president and the government, and between the president and the parliament; postponement of unwanted constitutional reforms; no democratization of the political system and a deeper regional rift created by the fact that the opposition is still left outside the political decision-making structure; lower standards of living and the resultant rejection of the government as a legitimate force, which makes its victory at the next election questionable.

The above suggests that these processes can be compared in principle. It seems that the ruling elites of both countries have to address similar tasks: they have to find means and methods of sharing power between the ruling elite and the opposition and between the Center and the regions to bridge the regional and social gaps and create a stable political system. It looks as if Ukraine has already found the right formula; it remains to be seen whether it survives the durability and efficiency tests. Kyrgyzstan is still seeking such a formula, therefore more political crises can be expected at the top and grassroots levels. The local specifics of political culture suggest that these crises might be much more violent than in Ukraine and might even destroy the still shaky political system.

THE U.S.'S GREATER SOUTH ASIA PROJECT: INTERESTS OF THE CENTRAL ASIAN COUNTRIES AND OF THE KEY NON-REGIONAL ACTORS

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

At the end of 2005, the U.S. changed its approach toward Central Asia as a region. Until very recently, in keeping with current practice, the White House administration looked at Central Asia as a separate region related to Russia and the CIS countries and consisting of five former Soviet republics: Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan. But in the new approach lobbied by the U.S. State Department and based on an essentially new regional conception,

Central Asia is part of South Asia as a single super region we are calling Greater South Asia.

In our research, we will carry out an analysis of the Greater South Asia project from the viewpoint of the interests of the Central Asian countries. At the same time, we will study the influence of this project on the four other key players in Central Asia, whose interests will be affected by the implementation of this project: Pakistan, India, Russia, and China.

The Greater South Asia Project and the Interests of the Central Asian Countries

Implementation of the Greater South Asia project has both positive and negative consequences for the Central Asian countries. The positive aspects are the assistance it will render in stabilizing the situation in Afghanistan, the appearance of another transportation and energy corridor, and the decrease in dependence of the Central Asian countries on Russia and China. The negative consequences of implementing the Greater South Asia project include an increase in the drug flow in the short term, Islamic radicalization of the Central Asian states under the cultural "cultural" influence of Afghanistan and Pakistan, and erosion of the concept of Central Asia as a separate single region.

By initiating the Greater South Asia project, the U.S. is pursuing its own interests. At the same time, some of these interests coincide with the national interests of the Central Asian countries. One of the main tasks of the Greater South Asia project is to help stabilize the situation in Afghanistan, which is controlled by Washington. And whereas this U.S. control over Afghanistan arouses ques-

tions, stabilization of the situation in this state is unequivocally in the interests of the Central Asian countries.

Three of the five Central Asian republics, Tajikistan, Turkmenistan, and Uzbekistan, have a common border with Afghanistan. Tajikistan's border with Afghanistan is 1,206 km long,¹ Turkmenistan's is 744 km,² and Uzbekistan's 137 km.³ In this respect, Afghanistan's problems are also affecting these countries, which was particularly noticeable during the civil war in this state.

Afghanistan was a source of the weapons and Islamic "volunteers" that flowed into Tajikistan during the civil war in the latter, which greatly promoted escalation of this conflict. There are bases of radical organizations in Afghanistan aimed at destabilizing the situation in Central Asia, such as the Islamic Movement of Uzbekistan (IMU). The subsequent invasions by IMU militants of the Central Asian countries (1999-2000) showed the extreme danger of being neighbors with a failed state that has become a refuge for extremists.

The military campaigns and subsequent activity of the anti-terrorist coalition helped to disperse and weaken these formations, and also made Afghanistan a less favorable country for the deployment of such organizations. In particular, the Islamic Movement of Uzbekistan lost one of its leaders—Juma Namangani—and was forced to move from Afghanistan to the South Vaziristan province of Pakistan.⁴

Another security problem in the Central Asian countries was caused by Afghanistan becoming a leading producer of raw opium and its derivatives during the civil war. According to U.N. data, during the civil war in Afghanistan, the areas set aside for growing opium poppy steadily grew: in 1986, they covered approximately 30,000 hectares, in 1993, approximately 60,000 hectares, and in 2000, 80,000 hectares.⁵ As a result, by 2005, 89% of all the opium sold on the world black market was produced in Afghanistan.⁶

At the same time, according to experts, between 25% and 30% of all the drugs produced in Afghanistan are transited through the Central Asian countries⁷ (whereby some of the drugs "settle" in these states as well). This is leading to an increase in their consumption in these countries, which at present amounts to an index equal to 1% of the region's entire population.⁸ This is extremely worrying, particularly against the background of similar indices for Europe—0.75%, Western Europe—0.41%, and Asia—0.32%.⁹

In so doing, the transit of drugs through Central Asia is leading not only to an increase in their consumption in the region, but also to an increase in corruption in the power bodies. As a result, top-ranking officials and representatives of the power-related and law enforcement structures are frequently involved in the drug transit and sale business. This Central Asian problem is particularly urgent for Tajikistan, but similar trends are also being observed in other countries of the region.

¹ See: *The World Factbook, Tajikistan*, U.S. Central Intelligence Agency, available at [<https://www.cia.gov/cia/publications/factbook/geos/ti.html>], 5 August, 2006.

² See: *The World Factbook, Turkmenistan*, U.S. Central Intelligence Agency, available at [<https://www.cia.gov/cia/publications/factbook/geos/tx.html>], 5 August, 2006.

³ See: *The World Factbook, Uzbekistan*, U.S. Central Intelligence Agency, available at [<https://www.cia.gov/cia/publications/factbook/geos/uz.html>], 5 August, 2006.

⁴ See: "Byvshie soratniki Tahira Iuldasheva rasskazyvaiut o tom, chto takoe "Islamskoe dvizhenie Uzbekistana" segodnia," available at [<http://www.asiaplus.tj/news/1/5187.html>], 5 August, 2006.

⁵ See: "U.N. Warns of Afghan 'Drug State,'" *BBC*, 18 November, 2004, available at [http://news.bbc.co.uk/2/hi/south_asia/4022197.stm#map], 5 August, 2006.

⁶ See: *World Drug Report 2006*, United Nations Office on Drugs and Crime. Vol. 1: *Analysis*, p. 12, available at [http://www.unodc.org/pdf/WDR_2006/wdr2006_volume1.pdf], 5 August, 2006.

⁷ See: *Strategic Program for Central Asia for 2004-2007*. Regional Representative Office of the UNODC in Central Asia, available at [<http://www.unodc.org/uzbekistan/en/spf.html>], 5 August, 2006.

⁸ *Ibidem*.

⁹ *Ibidem*.

At present, only military and economic assistance from outside actors, such as the U.S. and the EU states, is stabilizing Afghanistan and preventing it from returning to a state of civil war. One of the goals of the Greater South Asia project is to help stabilize Afghanistan by means of economic measures. It is obvious that this goal is in the interests of the Central Asian countries concerned about having a stable and prosperously developing southern neighbor.

The next aspect is related to the fact that the Greater South Asia project is based on creating transportation and energy corridors passing through Afghanistan. It is presumed that the Central Asian states will be able to export their energy resources, raw materials, and commodities to the markets of India and Pakistan, as well as to the world markets. In this respect, it would be expedient to take a closer look at the three main aspects of the mentioned corridors: oil and gas pipelines, high-voltage power transmission lines, and motor roads.

Table 1

**Proved Oil and Gas Reserves in Kazakhstan,
Turkmenistan, and Uzbekistan**

Country	Oil (billion barrels) ¹⁰	Gas (tcm) ¹¹
Kazakhstan	9	1.84
Turkmenistan	0.55	2
Uzbekistan	0.59	1.87
Total	10.14	5.71

Table 2

**Proved Oil and Gas Reserves
in India and Pakistan**

Country	Oil (billion barrels) ¹²	Gas (tcm) ¹³
India	5.8	0.85
Pakistan	0.28	0.76
Total	6.08	1.61

¹⁰ Compiled on the basis of *World Proved Crude Oil Reserves, 1 January, 1980—1 January, 2006 Estimates*, the Energy Information Administration of the U.S. Department of Energy, available at [<http://www.eia.doe.gov/pub/international/iealf/crudeoilreserves.xls>], 5 August, 2006.

¹¹ Compiled on the basis of *World Crude Oil and Natural Gas Reserves, 1 January, 2005*, the Energy Information Administration of the U.S. Department of Energy, available at [<http://www.eia.doe.gov/pub/international/iea2004/table81.xls>], 5 August, 2006.

¹² Compiled on the basis of *World Proved Crude Oil Reserves, 1 January, 1980—1 January, 2006 Estimates*, the Energy Information Administration of the U.S. Department of Energy, available at [<http://www.eia.doe.gov/pub/international/iealf/crudeoilreserves.xls>], 5 August, 2006.

¹³ Compiled on the basis of *World Crude Oil and Natural Gas Reserves, 1 January, 2005*, the Energy Information Administration of the U.S. Department of Energy, available at [<http://www.eia.doe.gov/pub/international/iea2004/table81.xls>], 5 August, 2006.

At present, Kazakhstan, Turkmenistan, and Uzbekistan possess the main oil and gas reserves in Central Asia, so they should become the key hydrocarbon suppliers in the southerly direction. In this respect, let's take a look at the proved oil and gas reserves in these countries.

According to the Greater South Asia project, India and Pakistan should become the main consumers of Central Asian energy resources in South Asia. We will shed light on the question of demand in these states for Central Asian oil and gas below. However, a comparison of Tables 1 and 2 already shows that the proved hydrocarbon reserves in Central Asia with a population of approximately 60 million people is several times higher than similar reserves in India and Pakistan with a population of 1,261 million people.¹⁴

At present, the most likely project for exporting hydrocarbons from Central to South Asia is the Trans-Afghanistan gas pipeline. According to its feasibility report drawn up by the Asian Development Bank, the cost of the pipeline, which is designed to deliver 33 bcm of gas a year, will amount to approximately 3.3 billion dollars. The 1,680-km gas pipeline will stretch from the Turkmen gas field of Dauletabad to the population settlement of Fazilka on the border of Pakistan and India.¹⁵

Pakistan Prime Minister Zafrulla Han Jamali and heads of Turkmenistan and Afghanistan Saparmurat Niyazov and Hamid Karzai signed an agreement as early as December 2002, which stipulated the legal conditions for the companies intending to invest in the project, security issues, and transit fees.¹⁶ But implementation of the project came to a halt due to several factors, the main ones of which were destabilization in Afghanistan, Turkmenistan's lack of reliability as a potential gas supplier, and the existence of a competing project for building a pipeline to transport gas from Iran.

It should be noted that when answering journalists' questions at a press conference in Islamabad on 5 April, 2006, U.S. Assistant State Secretary for South and Central Asian Affairs Richard Boucher said that the U.S. was "trying to support" the Trans-Afghanistan gas pipeline project "as best we can," while expressing concern about the gas pipeline from Iran.¹⁷ While the Trans-Afghanistan gas pipeline project fully "fits into" the Greater South Asia project, the gas pipeline project from Iran is not only vying with it, but is also strengthening the position of the U.S.'s regional rival—Iran.

On 18 May, 2006, the Indian Cabinet of Ministers adopted a decision on Delhi joining the Trans-Afghanistan gas pipeline project, which was a significant step, since until that moment, talks on this project were going on between Afghanistan, Pakistan, and Turkmenistan in a trilateral format.¹⁸ This decision by the Indian government is of immense significance for implementing the entire project due to the fact that Pakistan's domestic market alone is not enough to sell all the gas planned for delivery via the Trans-Afghanistan gas pipeline.

In this context, one fact should be noted related to the proposal prepared by the Indian Oil and Gas Ministry for the Cabinet of Ministers on the eve of the mentioned meeting. As the influential

¹⁴ Calculated on the basis of the *CIA World Factbook*, available at [https://www.cia.gov/cia/publications/factbook/index.html], 5 August, 2006.

¹⁵ See: "Zavershena razrabotka TEO stroitelsva transafganskogo gazoprovoda," *Turkmenistan.ru*, 17 January, 2005, available at [http://www.turkmenistan.ru/?page_id=3&lang_id=ru&elem_id=5880&type=event&highlight_words=%D0%A2%D0%AD,%D0%A2%D1%80%D0%B0%D0%BD%D1%81%D0%B0%D1%84%D0%B3%D0%B0%D0%BD%D1%81%D0%BA%D0%BE%D0%B3,%D0%B3%D0%B0%D0%B7%D0%BE%D0%BF%D1%80%D0%BE%D0%B2%D0%BE%D0%B4&sort=date_desc], 5 August, 2006.

¹⁶ See: "Central Asian Leaders Seal Deal on Trans-Afghanistan Pipeline," *Radio Free Europe*, 27 December, 2002, available at [http://www.rferl.org/newsline/2002/12/6-SWA/swa-271202.asp?po=y], 5 August, 2006.

¹⁷ See: Press Conference in Islamabad, Pakistan. Assistant Secretary of State for South and Central Asian Affairs Richard Boucher in Pakistan, available at [http://www.state.gov/p/sca/rls/rm/2006/64319.htm], 5 August, 2006.

¹⁸ See: "India to Join U.S.-Backed Gas Pipeline Project," *The Hindu*, 19 May, 2006, available at [http://www.hindu.com/2006/05/19/stories/2006051919811600.htm], 5 August, 2006.

Indian newspaper *Indian Express* reported on 11 May, 2006, in a letter to the country's Oil and Gas Ministry on this question, Indian Foreign Minister said that this step, which goes "beyond pure energy needs..., would also be in tune with the latest U.S. strategic thinking for the (Central Asia) region."¹⁹

The next issue is exporting electric energy from the Central Asian countries in the southerly direction. Turkmenistan's and Uzbekistan's oil and gas reserves can be used to generate electric energy. At the same time, Kyrgyzstan and Tajikistan, which do not possess such resources, have significant hydropower potential.

Tajikistan and Turkmenistan are already exporting electric energy to Afghanistan, while Uzbekistan is beginning to build a power transmission line to this country costing approximately 198 million dollars.²⁰ But the export potential of the Central Asian countries is not being fully realized because there is no network of energy transportation routes. As Tajikistan President Emamoli Rakhmonov emphasizes, Tajikistan is ready today to export 1.5 billion kW/h of electric energy, but since there are no high-voltage power transmission lines, it cannot realize this potential.²¹

Taking into account the needs of the Central Asian countries and Afghanistan, as well as in full correspondence with the conception of Greater South Asia, Pakistan, Afghanistan, Tajikistan, and Kyrgyzstan reached an agreement in Islamabad on 10 May about building a power transmission line, which will pass through Jelalabad and Kabul.²² It is presumed that the World Bank will play the leading role in investment in the project costing 700 million dollars for building a power transmission line 900 km in length and 1,000 MW in capacity.²³ As a PRIME-TASS report emphasizes, this project is being actively supported by the U.S.²⁴

The Greater South Asia project also presumes the creation of transportation corridors passing through Afghanistan, in particular, the Almaty-Karachi motorway. As a result of this, in addition to the Northern Corridor passing through Russia, and the Western passing through the Caucasian countries, a new Southern transportation corridor will appear, which will pass through the South Asian states.

The Central Asian countries are landlocked countries that do not have direct access to the World Ocean. This problem is especially urgent for Kyrgyzstan, Tajikistan, and Uzbekistan, which do not have access to the Caspian Sea. As a result, when transporting their export and import commodities, these countries depend on other states. In so doing, this dependence is not only an economic, but also a political issue.

From the economic viewpoint, diversification of transportation routes will allow the participants of economic relations to choose the most expedient ways to transport their commodities. From the political viewpoint, this is making it possible to reduce dependence on countries through which other routes pass. The latter is particularly urgent in a situation when the key routes for transporting goods from Central Asia pass through Russia, which is striving to increase its influence in the region.

As a result, if a new transportation corridor appears through the South Asian countries, the competitiveness of goods from Central Asia will increase due to the reduction in transportation expenses,

¹⁹ "Iran Pipeline Not Easy, Delhi Turns to Turkmen Gas Fields," *The Indian Express*, 11 May, 2006, available at [<http://www.indianexpress.com/story/4187.html>], 5 August, 2006.

²⁰ See: "Kabul kupit elektroenergiu v Uzbekistane," *Afghanistan.ru*, 9 January, 2006, available at [<http://www.afghanistan.ru/doc.xhtml?id=4879>], 5 August, 2006.

²¹ See: "Tadzhikistan gotov k eksportu elektroenergii v Afghanistan," *Afghanistan.ru*, 16 January, 2006, available at [<http://www.afghanistan.ru/doc.xhtml?id=4938>], 5 August, 2006.

²² See: "Pakistan, Afghanistan, Tajikistan i Kirghizia dogovorilis o stroitelstve 900-km linii elektroperedachi," PRIME-TASS, 10 May, 2006, available at [<http://www.prime-tass.ru/news/show.asp?id=590531&ct=news>].

²³ *Ibidem*.

²⁴ *Ibidem*.

and the states themselves will become less dependent on other transit countries, including Russia. In this respect, we can talk about creating one more transportation corridor in the southerly direction, which is also in the interests of the Central Asian states.

A geopolitical consequence of successful implementation of the Greater South Asia project was to make the U.S.'s position in the region stronger and Russia's and China's weaker. Taking into account Russia's ambitions and the growing might of the PRC, with which three of the five Central Asian states have common borders, the presence in the region of a third power might deter the possible hegemonic strivings of the mentioned countries. In this respect, we can say that this factor is also in the interests of the Central Asian states.

The creation of transportation corridors through Afghanistan, including the Almaty-Karachi motorway, along with the increase in freight flow, will inevitably entail a short-term increase in the drug flow being transited from Central Asia to Russia and Europe. We have already mentioned the threats which this transit poses not only to the mentioned countries, but also to the Central Asian states. In this respect, the Central Asian countries and international community must be ready to oppose this trend.

At the same time, it should be noted that the Greater South Asia project, if successfully implemented, although promoting an increase in the transit of drugs in the short term, could become a factor assisting its decrease in the long term. This is explained by the fact that the Greater South Asia project is oriented toward Afghanistan's economic development, which entails reinforcement of the state institutions and, due to both factors, a reduction in drug production.

The U.S. project is also aimed at augmenting the flow of people and ideas within Greater South Asia. But, taking into account the level of consciousness and political culture of the residents of Afghanistan and, to a certain extent, of Pakistan, this exchange of ideas will entail an increase in the level of Islamic radicalization for Central Asia. In this respect, the Central Asian states should be prepared for this turn of events.

And last but not least, the new American project means a spread among political and academic circles of the idea of a Greater South Asian super region. At the same time, this will result in erosion of the concept of Central Asia as a single region.

With respect to the aforesaid, we can say that this trend is capable of becoming one of the factors reducing Central Asia's integration potential as an integrated region independent of foreign actors. In this sense, the U.S. project is acting in the same way as the EurAsEC and SCO projects, which are being lobbied by Russia, as well as China, and are also essentially attempts to draw Central Asia into their own economic and political expanse.

The Greater South Asia Project and the Interests of Pakistan and India

The Greater South Asia project allots the Central Asian countries the role of energy resource and raw material suppliers to South Asia and the world markets, as well as consumers of goods from South Asia and the world markets. It is presumed that the Central Asian states, which do not have access to the World Ocean, will show an interest in one more transportation and energy corridor, which this project plans to build. In our opinion, in addition to the U.S. itself, Pakistan and India, which are key South Asian countries, will benefit in particular from the new Greater South Asia project.

At present, Pakistan is an oil importer—in 2004, it imported approximately 109 million barrels of the 133 million it needed.²⁵ In so doing, according to the Energy Information Administration of the U.S. Department of Energy, the proved oil reserves in Pakistan currently amount to 289 million barrels.²⁶ So based on this data, we can say that without outside deliveries and at the current level of consumption, the proved oil reserves in this country may be exhausted in 2.1 years. As for gas, Pakistan is relatively self-sufficient—in 2003, it produced as much blue fuel as it consumed—23.8 million cubic meters.²⁷ The proved reserves of natural gas in Pakistan are quite large—759.7 bcm,²⁸ which at the current level of consumption will be enough to last for approximately 32 years.

At the same time, Pakistan's economy is developing at a rather rapid rate, amounting to approximately 7% of the GDP in 2004 and 2005,²⁹ which is one of the reasons for the predicted increase in oil and gas consumption.³⁰ Taking into account its insignificant oil reserves, Pakistan placed special emphasis in its economy on the use of gas, as a result of which 49 percent of energy resource requirements in this country are currently covered by gas.³¹ What is more, Pakistan occupies third place in the world among countries which use gas as fuel for cars, and intends to intensively use natural gas as a source for producing electric energy.³²

Pakistan President Pervez Musharraf said in May 2005 in an interview with *Financial Times* that his country already needs additional energy resources. "We are short of energy. We want gas immediately. Our industry is suffering; investment coming to Pakistan is suffering, so Pakistan's interest is to get gas fast. Iran is the fastest source,"³³ he said. Pervez Musharraf said this when commenting on the current situation with the three gas pipeline projects—to Pakistan and India from Turkmenistan, Iran, and Qatar, the implementation of which is currently being reviewed by the interested sides. This makes it clear that Pakistan is interested in receiving energy resources from Central Asia.

As a result, it can be said that due to implementation of the Greater South Asia project, Islamabad will reap both geo-economic and geopolitical benefits. First of all, if the energy projects are implemented, Pakistan will gain access to the energy resources of Central Asia. A transit flow will pass through the state, and its ports will be activated for handling freight to be exported from Central Asia and Afghanistan and imported into these countries. It is obvious that thanks to this Pakistan will not only receive economic benefits, but also ensure an increase in its influence in Central Asia and Afghanistan.

During U.S. President George Bush's visit to Pakistan at the beginning of March 2006, President Pervez Musharraf made it understood that official Islamabad intended to support Washington's Greater South Asia project. The Pakistani president has positioned his country as a U.S. ally in implementing Washington's plans to create an infrastructure, communication lines, and energy corridors passing through Afghanistan and thus linking South and Central Asia.

During a joint official lunch with the U.S. president on 4 March, 2006, Pervez Musharraf said: "...Strategically located at the crossroads of South Asia, Central Asia and West Asia, Pakistan has the

²⁵ Calculated on the basis of the *World Factbook, Pakistan*, U.S. Central Intelligence Agency, available at [<https://www.cia.gov/cia/publications/factbook/geos/pk.html>], 5 August, 2006.

²⁶ See: *World Proved Crude Oil Reserves, 1 January, 1980—1 January, 2006 Estimates*, the Energy Information Administration of the U.S. Department of Energy, available at [<http://www.eia.doe.gov/pub/international/iealf/crudeoilreserves.xls>], 5 August, 2006.

²⁷ See: *The World Factbook, Pakistan*, U.S. Central Intelligence Agency, available at [<https://www.cia.gov/cia/publications/factbook/geos/pk.html>], 5 August, 2006.

²⁸ *Ibidem*.

²⁹ *Ibidem*.

³⁰ See: *Country Analysis Briefs, Pakistan*, the Energy Information Administration of the U.S. Department of Energy, available at [<http://www.eia.doe.gov/emeu/cabs/Pakistan/Full.html>], 5 August, 2006.

³¹ *Ibidem*.

³² *Ibidem*.

³³ V. Burnett, "Energy: Three Routes to Meet Rising Demand for Gas," *Financial Times*, 31 May, 2005.

potential to become the hub of economic activity and a catalyst for progress of a larger neighborhood. We are determined to pursue this destined role and are implementing plans for the development of infrastructure, communication and energy corridors. The strategic partnership that we have affirmed today will contribute toward our success in realizing our common aspirations for peace and development in this critically important region of the world.”³⁴

As U.S. Assistant Secretary of State for South and Central Asian Affairs Richard Boucher said on 5 April, 2006 at a press conference in Islamabad, Pakistan and the U.S. have already discussed Afghanistan’s role as a transportation corridor. In his words, “I first heard these ideas discussed by President Musharraf a few years ago with Secretary Powell.”³⁵ From this we can conclude that both countries have already held talks on issues relating to the current Greater South Asia project.

Due to the geopolitical and geo-economic advantages Pakistan may gain as a result of carrying out the Greater South Asia project, it is a natural ally for Washington in its implementation. It is extremely likely that it was largely Islamabad that lobbied putting this project into practice. So implementation of the Greater South Asia project can be called in some sense “a step by the U.S. toward Islamabad.”

In 2003, India consumed 846 million barrels of oil a year,³⁶ thus ranking eighth on the list of oil consumer countries,³⁷ and imported 762.8 million barrels of black gold. At the same time, proved oil reserves in this country, according to the Energy Information Administration of the U.S. Department of Energy, amount to 5.8 billion barrels.³⁸ On the basis of this data, it can be said that without outside deliveries, proved oil reserves could be exhausted within 6.8 years. In relation to gas, the situation in India is better. The state produces as much gas as it consumes—27.1 bcm in 2003.³⁹ Proved gas reserves amount to 853.5 bcm.⁴⁰ India has enough at the current level of consumption to last for 31.5 years.

At the same time, India’s economy is developing at a rapid rate, amounting annually to an average of 7 percent of the GDP.⁴¹ In this respect, it is expected that India’s oil consumption will grow to 3.1 million barrels a day by 2010 from 2.5 million barrels a day in 2005.⁴² Gas consumption in India is also growing, whereby the growth rates exceed the consumption level of any other type of fuel. Amounting to only 0.63 trillion cubic feet in 1995, in 2003, gas consumption in India had already risen to 0.96 trillion cubic feet (around 27 bcm), and it is expected that by 2010 it will rise to 1.4 trillion, and to 1.8 trillion by 2015. But it is forecast that gas production in India will not be able to keep up with the growth in consumption, so the country will be forced to import it from abroad.⁴³

As Indian Prime Minister Manmohan Singh said in an interview with *Financial Times*, “energy security is of critical importance to India... It is second only in our scheme of things to food securi-

³⁴ See: “Bush, Pakistan’s Musharraf Outline Bright Future for Alliance,” available at [<http://usinfo.state.gov/sa/Archive/2006/Mar/04-804574.html>], 5 August, 2006.

³⁵ See: Press Conference in Islamabad, Pakistan.

³⁶ Calculated based on the *World Factbook, India*, U.S. Central Intelligence Agency, available at [<https://www.cia.gov/cia/publications/factbook/geos/in.html>], 5 August, 2006.

³⁷ See: “Rank Order—Oil Consumption,” in: *The World Factbook*, U.S. Central Intelligence Agency, available at [<https://www.cia.gov/cia/publications/factbook/rankorder/2174rank.html>], 5 August, 2006.

³⁸ See: *World Proved Crude Oil Reserves, 1 January, 1980—1 January, 2006 Estimates*, the Energy Information Administration of the U.S. Department of Energy, available at [<http://www.eia.doe.gov/pub/international/iealf/crudeoilreserves.xls>], 5 August, 2006.

³⁹ See: *The World Factbook, India*, U.S. Central Intelligence Agency, available at [<https://www.cia.gov/cia/publications/factbook/geos/in.html>], 5 August, 2006.

⁴⁰ Ibidem.

⁴¹ Ibidem.

⁴² See: *Country Analysis Briefs, India*, the Energy Information Administration of the U.S. Department of Energy, available at [<http://www.eia.doe.gov/emeu/cabs/India/Full.html>], 5 August, 2006.

⁴³ Ibidem.

ty.”⁴⁴ As Stephen Blank wrote in his article “India’s Energy Offensive in Central Asia,” “India’s dependence upon secure oil and gas supplies represents a vital national interest, as manifested in its energy firms’ quest for equity holdings in Russian, Angolan, Sudanese, Venezuelan, and, most of all, Iranian energy fields, or for major deals with states like Iran.”⁴⁵

Talking on 7 April, 2006 before the members of the Indian Confederation of Industries, Richard Boucher mentioned the possibilities offered by the Greater South Asia project, including ensuring India’s energy security. He said, “I see numerous opportunities for links that can bring power, roads, communications and trade all the way from Kazakhstan to Pakistan and India.”⁴⁶ At the same time, in his words, “the South Asian region will benefit from the positive development of the countries of Central Asia. As Central Asia develops, India and others stand to gain a great deal in opening up new markets and trade routes with Central Asia.”⁴⁷

In so doing, Boucher also used the image of a new “open” Afghanistan in India. “Imagine the day when one can travel and bring goods and services from India, through Pakistan and Afghanistan, to Central Asia. We would welcome India’s participation in endeavors that reinforce Afghanistan’s newfound status as an open corridor, rather than a barrier that separates South Asia from Central Asia,” he said.

In his speech, Boucher also talked about the possibility of India becoming a regional leader and mentioned one thing he did not talk about in Pakistan—democratization. “Bringing your experience in development, democracy, education and other fields is another important way for India to show regional leadership to the benefit of all,” he said. In this way, it becomes clear that Washington is looking at the possibility of activating India’s “democratic” potential in the Greater South Asia region. This step appears logical from the viewpoint of the U.S. administration’s policy in democratization and India’s long-term successful experience in this area.

As Stephen Blank writes, at present “India still shows interest in participating in a gas pipeline from Turkmenistan through Afghanistan and Pakistan,”⁴⁸ whereas in Kazakhstan “it has formally bid for immediate participation in the Tengiz and Kashagan oil fields and the Kurmangazy and Darkhan exploration blocks. India is also interested in nine other exploration blocks in and around the Caspian Sea.”⁴⁹ In so doing, in mid-2005, India tried to buy the Canadian PetroKazakhstan Oil Company, which operates in Kazakhstan, for 3.6 billion dollars. But India’s interests clashed with China’s in this transaction and the latter won the “contest” after offering 4.2 billion dollars for this facility.

As a result, from the geo-economic viewpoint, we can talk about India’s interest in energy resource deliveries from Central Asia and, consequently, interest in the U.S.’s Greater South Asia project.

However, from the geopolitical viewpoint, the answer to the question about the extent to which implementation of the Greater South Asia project is in India’s interests is not very clear. On the one hand, participation in the project will allow India (in cooperation with the U.S.) to strengthen its position in the Central Asian Region and Afghanistan. At the same time, this will make it possible to weaken the influence of China, which is competing with India, in the region. What is more, joint

⁴⁴ E. Luce, “Head to Head in the Quest for National Energy Security: India’s Overseas Competition with China has an Effect on Diplomacy,” *Financial Times*, 17 November, 2004.

⁴⁵ St. Blank, “India’s Energy Offensive in Central Asia,” *Central Asia—Caucasus Analyst*, 9 March, 2005, available at [http://www.cacianalyst.org/view_article.php?articleid=3117&SMSESSION=NO], 5 August, 2006.

⁴⁶ See: *The U.S.-India Friendship: Where We Were and Where We’re Going*. Speech by U.S. Assistant Secretary of State for South and Central Asian Affairs Richard Boucher in New Delhi, available at [<http://www.state.gov/p/sca/rls/rm/2006/64230.htm>], 5 August, 2006.

⁴⁷ Ibidem.

⁴⁸ St. Blank, op. cit.

⁴⁹ Ibidem.

implementation of economic projects will allow India to improve relations with Pakistan, thus weakening its ties with China.

On the other hand, the Greater South Asia project can be viewed as contradicting Russia's interests, with which India has smooth relations. What is more, the latter is interested in further cooperation with the Russian Federation. In so doing, India is looking at the possibility of having an influence on Central Asia along with Russia within the framework of the Shanghai Cooperation Organization, in which it became an observer in 2005. At the same time, if India's activity within the SCO is blocked by China, it can place the emphasis on the Greater South Asia project.

The Greater South Asia Project and the Interests of Russia and China

The project can be viewed as opposing the regional interests of two key outside players in Central Asia—Russia and China, since it essentially leads to a weakening of their positions in the region. In particular, this conclusion can be drawn from the words of U.S. Assistant Secretary of State for South and Central Asian Affairs Richard Boucher during a press conference in Islamabad on 5 April, 2006: “They (the Central Asian countries.—*A.Ya.*) need outlets and options, don't want to be stuck between two big powers.”⁵⁰

According to the estimates of the Energy Information Administration of the U.S. Department of Energy, at present Russia has 60 billion barrels of proved oil reserves, which amounts to 4.6% of world proved reserves of black gold.⁵¹ In terms of gas reserves, the Russian Federation occupies an even stronger position. According to *Oil and Gas Journal* and *World Oil*, Russia possesses proved reserves of gas in volumes between 47.6 and 66.26 tcm, respectively.⁵² In so doing, according to the named sources, Russia provides between approximately 27.8% and 33.7% of the world proved gas reserves.⁵³

In 2004, Russia exported 1.87 billion barrels of oil and 157.2 bcm of gas (primarily to the European markets) and imported 27.3 million barrels of oil and 12 bcm of gas.⁵⁴ In so doing, the Russian Federation occupies second place in the world both in terms of amount of oil produced and its export.⁵⁵

At the same time, Russia's gas monopolist Gazprom is showing a definite interest in purchasing gas from Central Asia and in implementing joint projects in this region. Russia is particularly interested in cooperating with Turkmenistan and Uzbekistan in this sphere. In April 2003, Russia and Turkmenistan entered a 25-year agreement that envisages Russia purchasing between 60 and 70 bcm of gas a year beginning in 2007.⁵⁶ At the beginning of 2006, Gazprom and Turkmenistan came to terms

⁵⁰ See: Press Conference in Islamabad, Pakistan.

⁵¹ Calculated on the basis of *World Proved Crude Oil Reserves, 1 January, 1980—1 January, 2006 Estimates*, the Energy Information Administration of the U.S. Department of Energy, available at [<http://www.eia.doe.gov/pub/international/iealf/crudeoilreserves.xls>], 5 August, 2006.

⁵² Ibidem.

⁵³ Ibidem.

⁵⁴ See: *The World Factbook, Russia*, U.S. Central Intelligence Agency, available at [<https://www.cia.gov/cia/publications/factbook/geos/rs.html>], 5 August, 2006.

⁵⁵ See: *Top World Oil Producers 2004*, the Energy Information Administration of the U.S. Department of Energy, available at [http://www.eia.doe.gov/emeu/cabs/topworldtables1_2.html], 5 August, 2006.

⁵⁶ See: I. Torbakov, “Russian-Turkmen Pacts Mark Strategic Shift for Moscow in Central Asia,” *Eurasianet*, 15 April, 2003, available at [<http://www.eurasianet.org/departments/insight/articles/eav041503.shtml>], 5 August, 2006.

on deliveries of 30 bcm of gas in 2006 and up to 50 bcm over the next three years.⁵⁷ In Uzbekistan, Gazprom and the Uzbekneftegaz State Company entered an agreement which envisages purchasing Uzbek gas until 2012. In the agreement, the sides also came to terms on Gazprom initiating several projects in Uzbekistan under Joint Production Share conditions.⁵⁸

As Arkady Ostrovsky writes in an article entitled "Oil and Gas Bring Influence," published by the *Financial Times*, "Gazprom's production has been stagnant for the past five years and its three largest gas fields, which account for two-thirds of its output, are all in decline. Meanwhile, Gazprom has put aside plans to develop super-giant fields in the Yamal peninsula at least for another 10 to 12 years. It argues that it is cheaper to buy gas from Central Asia than develop its own fields given the artificially low price for gas domestically. This tactic also removes Central Asian countries as potential competitors for Gazprom in the export market."⁵⁹

Gazprom could permit itself this tactic under conditions of essentially total control over the deliveries of gas from Central Asia. Due to the fact that the transportation of natural gas by methods other than via pipelines is expensive and requires very large investments, the Central Asian countries depend on Russian Gazprom's Central Asia-Center pipeline system, which it inherited after the collapse of the U.S.S.R. Turkmenistan, Uzbekistan, and Kazakhstan were compelled to pump most of their export gas through Russia's pipeline system.

In this context, it should also be noted that most of the oil from Central Asia at present is transited through Russia, in particular through the pipeline of the Caspian Pipeline Consortium with a throughput capacity of 560,000 barrels of oil a day.⁶⁰

From the geopolitical viewpoint, Russia's control over the transportation arteries via which oil and gas are delivered from Central Asia provides it with significant levers of influence on the above-mentioned countries. What is more, due to this, Russia has the opportunity to influence European consumers of Central Asian energy resources. It is obvious that from the viewpoint of energy security, Europe is interested in reducing its dependence on Russia. In turn, the Central Asian states are also interested in reducing their dependence on Moscow in this "sensitive" question.

This was and is recognized both in Europe and in the U.S., which is showing an interest in everything concerning the world energy resource market and is striving for global hegemony. As a result, Europe launched the INOGATE project, which is aimed at helping to transport oil from the Caspian Region through the Caucasian countries, as well as at reducing dependence on Russia in this way, both for itself and for the Central Asian and Caucasian states. Similar developments with respect to the U.S. were the Baku-Tbilisi-Ceyhan oil pipeline and Baku-Tbilisi-Erzurum gas pipeline projects, which are part of the Western energy corridor.

The Greater South Asia project is aimed at creating a southern energy and transportation corridor linking Central Asia with the South Asia. As a result of this, the landlocked Central Asian countries will acquire another access route to the world energy and trade markets. In this respect, the Greater South Asia project is an analogue to the Western energy and transportation corridor passing through the Caucasian states and linking the Central Asian and Caucasian countries with Turkey and Europe.

It is obvious that implementation of the mentioned projects will lead to partial reorientation of the energy and transportation flows, as well as a reduction in Russia's role as a transit state. As a result

⁵⁷ See: "Gazprom budet zakupat u Turkmenii do 50 mlrd kub. m gaza ezhegodno," *RosBiznes Consulting*, 19 April, 2006, available at [http://top.rbc.ru/index.shtml?news/policy/2006/04/19/19004430_bod.shtml], 5 August, 2006.

⁵⁸ See: "V 2005 godu Rossia zakupit u Uzbekistana 5 mlrd kubometrov gaza," *Gazexport*, available at [<http://www.gazexport.ru/default.asp?pkey1=0000200017&id=107718a>], 5 August, 2006.

⁵⁹ A. Ostrovsky, "Oil and Gas Bring Influence," *Financial Times*, 21 April, 2006.

⁶⁰ See: *Country Analysis Briefs, Caspian Sea*, the Energy Information Administration of the U.S. Department of Energy, available at [<http://www.eia.doe.gov/emeu/cabs/Caspian/Full.html>], 5 August, 2006.

of this, not only will Russia's revenues from this transit decrease, but so will its influence on the Central Asian countries. At the same time, Russia could also lose its position in the gas industry of Turkmenistan and Uzbekistan, which is fraught with undermining Gazprom's long-term plans related to anticipated gas deliveries from Central Asia. In this way, from both the geo-economic and geopolitical viewpoint, if the Greater South Asia project is successfully implemented, the Russian Federation will face the risk of a drop in its revenues and influence in Central Asia.

According to the Energy Information Administration of the U.S. Department of Energy, China's oil reserves amount to 18.2 billion barrels.⁶¹ Oil production in the PRC amounted to 1.27 billion barrels in 2004, and consumption to 2.29 billion barrels a year;⁶² while this country covered the remaining difference of 1 billion barrels by means of import. In this context, it should be noted that in terms of volume of consumed oil, China ranks second in the world at present after the U.S.,⁶³ after surpassing Japan in terms of this index in 2003.⁶⁴ In this way, on the basis of the available data, it can be said that at its current oil consumption without outside deliveries China would exhaust its proved reserves in 7.9 years.

According to *Oil and Gas Journal* and *World Oil*, the proved gas reserves in China amount to 1.5 and 1.45 tcm, respectively.⁶⁵ Gas production in the PRC amounted to 35 bcm in 2003, and consumption to 33.44 bcm (while 2.79 bcm were exported).⁶⁶ In this way, at the current consumption level, China has enough gas reserves to last for 43.4-45 years.

The PRC economy is developing at a tempestuous rate: in particular, in 2005, the country's GDP increased by 9.3%. Correspondingly, an increase in the consumption of energy resources is expected in view of this economic growth. The U.S. Department of Energy forecasts that China's oil consumption will reach 5.18 billion barrels, and import will increase to 3.97 billion barrels by 2025.⁶⁷ What is more, the PRC is also using more natural gas, as a result of which its gas consumption is expected to double by 2010.⁶⁸

In this respect, China is currently running an active campaign to ensure its energy future. This issue is a key one on the agenda of the talks between PRC President Hu Jintao and the leaders of various states, beginning with Russia, where Beijing intends to develop gas fields and from where it wants to obtain gas via two new pipelines,⁶⁹ and ending with Nigeria, where the leadership of the two countries entered an agreement in the "investment in exchange for oil concessions" format, whereby Chinese investments amount to approximately 4 billion dollars.⁷⁰

One of the three leading Chinese state oil companies—the Chinese National Petroleum Company (CNPC)—already has oil concessions in Azerbaijan, Canada, Venezuela, Sudan, Indonesia, Iraq, and Iran.⁷¹ At the same time, the CNPC attempted to purchase one of America's leading oil compa-

⁶¹ See: *World Proved Crude Oil Reserves, 1 January, 1980—1 January, 2006 Estimates*, the Energy Information Administration of the U.S. Department of Energy, available at [<http://www.eia.doe.gov/pub/international/iealf/crudeoilreserves.xls>], 5 August, 2006.

⁶² Calculated on the basis of the *World Factbook, China*, U.S. Central Intelligence Agency, available at [<https://www.cia.gov/cia/publications/factbook/geos/ch.html>], 5 August, 2006.

⁶³ See: "Rank Order—Oil Consumption," in: *The World Factbook*, U.S. Central Intelligence Agency, available at [<https://www.cia.gov/cia/publications/factbook/rankorder/2174rank.html>], 5 August, 2006.

⁶⁴ See: *Country Analysis Briefs, China*, the Energy Information Administration of the U.S. Department of Energy, available at [<http://www.eia.doe.gov/emeu/cabs/china.html>], 5 August, 2006.

⁶⁵ See: *World Crude Oil and Natural Gas Reserves, 1 January, 2005*, the Energy Information Administration of the U.S. Department of Energy, available at [<http://www.eia.doe.gov/pub/international/iea2004/table81.xls>], 5 August, 2006.

⁶⁶ See: *The World Factbook, China*, U.S. Central Intelligence Agency, available at [<https://www.cia.gov/cia/publications/factbook/geos/ch.html>], 5 August, 2006.

⁶⁷ See: *Country Analysis Briefs, China*.

⁶⁸ *Ibidem*.

⁶⁹ See: A. Koliandre, "Russia Keeps China Energy Options Open," *BBC*, 21 March, 2006, available at [<http://news.bbc.co.uk/2/hi/business/4830768.stm>], 5 August, 2006.

⁷⁰ See: "China's Hu Urges More Africa Ties," *BBC*, 27 April, 2006, available at [<http://news.bbc.co.uk/2/hi/africa/4949688.stm>], 5 August, 2006.

⁷¹ See: *Country Analysis Briefs, China*.

nies, UNOCAL, for 18.5 billion dollars.⁷² This attempt, although it did not succeed due to opposition from America's power elites, nevertheless was evidence of the seriousness of China's intentions with respect to ensuring its energy security.

The PRC is carrying out a similar policy of active expansion in Central Asia as well. In this respect, China is being the most "energetic" in Kazakhstan, since this state is geographically close to it and probably has the largest oil reserves in the region. At the end of 2005, the CNPC purchased the Petro-Kazakhstan Company for 4.2 billion dollars, which is registered in Canada, but operates only in Kazakhstan and has the right to several fields in this republic. Whereby the interests of the Chinese state company first clashed with the interests of India's state Oil & Natural Gas Corporation,⁷³ then with Russia's LUKoil.⁷⁴ What is more, it should be noted that the PRC owns a 60% share of the local Aktobemunaigaz Company in Kazakhstan.⁷⁵ In December 2005, the Kazakhstan-China oil pipeline of 1,000 kilometers in length⁷⁶ and costing 700 million dollars,⁷⁷ intended for delivering approximately 73 million barrels⁷⁸ of oil a year to China's western provinces, went into operation.

At the same time, the PRC relatively recently stepped up its activity in relation to Turkmenistan, as well as Uzbekistan, which have significant hydrocarbon reserves. For example, during the Turkmen president's visit to China in April 2006, the sides signed an agreement on building a gas pipeline from Turkmenistan to the PRC.⁷⁹ In correspondence with this document, there are plans for Turkmenistan to deliver approximately 30 bcm of gas to China beginning in 2009.⁸⁰ It should also be mentioned that Turkmenistan granted the PRC the right to develop gas fields on its territory. In this respect, it is interesting to note Kazakhstan's proposal to build a gas pipeline to China, which could also be used to export Turkmen gas.⁸¹

In May 2005, during the Uzbek president's visit to the PRC, an agreement was signed between China's CNPC and the Uzbekneftegaz state company on the creation of a joint venture.⁸² In so doing, China agreed to invest 600 million dollars in this structure, which was created for exploring and extracting Uzbek oil.⁸³

We can be sure that the PRC has its own plans regarding Central Asia's energy resources. What is more, it should be kept in mind that China is increasing the export of its finished products to Central Asia. In this way, we can draw the conclusion that the Greater South Asia project will affect the PRC's interests from both the geo-economic and geopolitical viewpoint.

C o n c l u s i o n

Implementation of the Greater South Asia project will give rise to several positive consequences for the Central Asian countries. It will help to stabilize the situation in Afghanistan, create another

⁷² See: "Chinese Firm Abandons Unocal Bid," *BBC*, 2 August, 2005, available at [<http://news.bbc.co.uk/2/hi/business/4738939.stm>], 5 August, 2006.

⁷³ See: J. Bush, "China and India: A Race for Oil," *Business Week*, 5 September, 2005.

⁷⁴ See: "CNPC Secures PetroKazakhstan Bid," *BBC*, 26 October, 2005, available at [<http://news.bbc.co.uk/2/hi/business/4378298.stm>], 5 August, 2006.

⁷⁵ See: *Country Analysis Briefs, China*.

⁷⁶ See: I. MacWilliam, "Kazakh-China Oil Pipeline Opens," *BBC*, 15 December, 2005, available at [<http://news.bbc.co.uk/2/hi/asia-pacific/4530426.stm>], 5 August, 2006.

⁷⁷ See: *Country Analysis Briefs, China*.

⁷⁸ *Ibidem*.

⁷⁹ See: "Turkmen Gas will Go East," *Turkmenistan.ru*, 4 April, 2006, available at [http://www.turkmenistan.ru/?page_id=5&lang_id=ru&elem_id=7965&type=event&sort=date_desc], 5 August, 2006.

⁸⁰ *Ibidem*.

⁸¹ See: I. Gorst, "Scramble to Grab Central Asia's Gas," *Financial Times*, 5 May, 2006.

⁸² See: A. Yeh, "Uzbekistan Signs \$600m Oil Deal with China," *Financial Times*, 26 May, 2005.

⁸³ *Ibidem*.

transportation and energy corridor, and reduce dependence on Russia and China, all of which correspond to the national interests of the Central Asian states.

At the same time, implementation of the Greater South Asia project could have several negative consequences. In our opinion, an increase in the drug flow in the near future, Islamic radicalization of the Central Asian countries under the “cultural” influence of Afghanistan and Pakistan, as well as erosion of the concept of Central Asia as a separate region could be negative consequences of implementing this project.

When implementing this project, the U.S. intends to rely on Pakistan and India, sensibly presuming that these countries are interested in exporting energy resources from Central Asia, importing goods to its states, and increasing their regional influence. In so doing, putting this project into practice could weaken Russia and China’s regional positions by decreasing their economic and political influence in the region.

AUTHORITARIAN/ CONSTITUTIONAL-PATRONAGE REGIMES IN CENTRAL ASIA

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

The Tulip Revolution in Kyrgyzstan and public demonstrations in Uzbekistan have drawn the attention of the outside world to the political realities and social conditions of these countries. As a result, those who have dealings with this part of the world have begun to ask the following questions: What caused these events to happen? Might we see similar events happening in neighboring countries in the near future?

In order to answer these questions it is necessary to go back several years. In 1991 when these countries unexpectedly gained independence, the leaders had to find radical and structural solutions to the extremely difficult condi-

tions—social, economic and political—which prevailed in their societies at this time. Their long-term aim was to align their political and economic systems with those of the rest of the world. Although certain regional states possessed enormous reserves of natural gas and oil, they lacked both an efficient economic system and state institutions that would permit their countries to exercise their country’s responsibilities and rights according to international law. Moreover, the Nationalities Policy put forward by Joseph Stalin in 1924, had never been implemented. Their desire, at this stage, was therefore to construct a new state, which would aspire to a free market economy and democratic values.

Although the regional leaders originally promised to make democratic reforms, to respect human rights and to create a free market economy, they subsequently formed authoritarian and constitutional-patronage regimes. In addition, they initiated nation-building and state-building processes, both of which were in line with Stalin's Nationalities Policy. It is these policies, essentially, which gave rise to the revolutions and public

demonstrations which have been seen in these countries.

Using the authoritarian, constitutional-patronage regime as a theoretical framework, this study will focus on the policies of the leaders as regards nation-building, state-building and democratization processes. It will also analyze Islam and Islamic groups in Central Asia.

Theoretical Framework: Authoritarian/ Constitutional-Patronage Regime

According to Neil Robinson, there are two types of political regime: absolutist (where executive and legislative branches are under the control of one man) and constitutional (where legislative power is shared by parliament and the executive).¹ Similarly, administrative systems can also be divided into two different groups: patronage (where bureaucrats are viewed as the personal staff of the president, who is the boss) and bureaucratic (where officials are selected through legal procedures). Based on this division, there exist four types of state administration: absolutist-patronage, absolutist-bureaucratic, constitutional-patronage, and constitutional-bureaucratic. Nowadays, most states view the constitutional-bureaucratic regime as the ideal one, whereas the Empires of the past were examples of absolutist-patronage regimes.

In the constitutional-patronage regime, the power of the state's institutions cannot be strengthened due to the president's increasing personal power, nor can they pursue their own agenda free from presidential control. For that reason the capacity and organizational unity of state institutions in these countries are weak. Corruption, bribery, poor governance and so on are widespread and state officials exploit both the power and the resources of the State for their own personal gains.

In authoritarian regimes, on the other hand, officials tend to pay scant regard to the rule of law. Human rights, such as freedom of speech, freedom of religion, property rights, freedom of expression etc., are protected by law. But in authoritarian regimes, the social, economic and political sectors of the state are under the strict control of one ruler and he has the power to directly suppress both citizens as well as state officials. He tries to suppress the opposition groups and does not give permission to the people to express their concerns. Thus the people have no opportunity to affect the political decision making process. Any idea which runs counter to existing policy is perceived by the ruler as a threat to the regime as well as himself. Some authoritarian regimes do allow universal elections but these are held simply to justify the existing government.

Within the framework of these theoretical explanations, the Central Asian states have constitutional-patronage and authoritarian regimes. After the disintegration of the Soviet Union, the former communist leaders in the region became the presidents of these newly independent countries. At first they declared themselves in support of a free market economy and secular, democratic government

¹ See: N. Robinson, *Russia: A State of Uncertainty*, Routledge, New York, 2002.

but this was simply done in order to consolidate their power in the internal political area, and at the same time to encourage the Western countries to make financial and economic assistances to them. They also promised to find urgent solutions to the social and economic difficulties their countries were facing.²

However, after consolidating their power, they immediately constructed constitutional-patronage and authoritarian regimes. In these regimes, state institutions were dramatically modified in order to bestow privileges upon progovernment clans thus putting them under the direct control of the presidency. They also suppressed the media, eliminated their opponents and distributed the country's economic resources to privileged groups as a reward for their loyalty. Through these actions, the new leaders contributed significantly to the emergence of radical Islamic groups, ethnic conflicts, and internal political instabilities.

As a justification for this political U-turn and their failure to implement the policies they had originally promised, the leaders declared that the prevailing conditions in their countries would not allow the introduction of a Western-style democracy. Ensuring territorial integrity, national security, social unity and internal stability was, they claimed, a higher priority than providing opportunities for political participation, economic liberalization, human rights and free media. It was this volte-face which finally provoked the public demonstrations and Color Revolutions which we are witnessing today.

Nation-Building Process: Top-Down Nationalism

The nation-building process began with Stalin's Nationalities Policy of 1924 whereby each republic, autonomous region and clan would gain a national identity and state authorities would help them create their own identities and mentalities. But this top-down nationalistic approach failed to transform the local people from primitive communities to modern nation states because they insisted on preserving their own customs and beliefs—in short, their own cultural identity—rather than accept a national identity based on Russification formulated by the Soviet state.³

In 1991, the regional leaders decided to fully implement Stalin's policy to form a nation state based on the dominant ethnic group. In this way they hoped to gain acceptance for the idea of a national identity and nationalistic perspective defined by the state authorities and imposed from above.⁴ This policy saw the emergence of a new local culture, traditions, history, and the introduction of new symbols (e.g. new flag, anthem, state symbols), which gave the appearance of a homogenous nation state. Similarly, street names were changed, new national and religious holidays were declared, and national histories were rewritten. New national heroes and intellectuals were identified and the language of the majority ruling clan became the new official language.⁵

² See: International Crisis Group, "The Failure of Reform in Uzbekistan: Ways Forward for the International Community," *Asia Report*, No. 76, 11 March, 2004, p. 1.

³ For further information about identity issue in the Turkish world, see: M. Aça, H. Durgut, *Küreselleşen Dünya ve Türk Kimliği* (Globalized World and Turkish Identity), Toplumsal Dönüşüm Yayınları, İstanbul, 2004.

⁴ For further information, see: E. Efeğil and Y. Çolak, "Central Asia in Transition: Deteriorating Policies of the Central Asian Leaders," in: *Security of the Post-Soviet Space: Realities and Stereotypes*, ed. by Sergey Golunov, Volgograd State University Regional and Transboundary Studies Center, Volgograd, 2003, pp. 28-35.

⁵ See: International Crisis Group, "Repression and Regression in Turkmenistan: A New International Strategy," *Asia Report*, No. 85, 4 November, 2004, p. 8.

State-Building

In 1991, the Central Asian countries lacked effective state institutions. The task facing the new leaders was therefore to reshape the existing system according to a democratic and capitalist nation state model. In the event, they actually set about constructing a system where the state is under the control of some privileged clans, and the presidency is at the top of the administrative pyramid.

In the absence of a proper government, Uzbekistan today comprises a state system that is controlled by the clans of Tashkent, Samarqand and Ferghana loyal to President Karimov. These clans dominate both political and economic fields. In order to retain both privileges and wealth, they willingly provide whatever support the Presidency desires and actively resist any political or economic reforms that might threaten or damage their powerful position within the country. Legal restrictions are weak and ineffective and fail to act as a check and balance to the activities of bureaucrats and political figures. As a result, corruption, bribery, abuse of power and other crimes are commonplace. The Parliament is ineffective and legislative powers rest largely with the president himself.⁶

In Turkmenistan, President Turkmenbashi has strengthened his position in the country with the assistance of *Ruhnama* ideology: personal affiliation, management of the differences among five clans, and appointing some privileged clan members to top-level state positions

Additionally, security departments also serve the personal interests of the Presidency. As is the case in Uzbekistan, the real power lies in the hands of the Ahal Taka clan, which controls both political and economic fields. All state institutions, ministries and judicial organs are under the strict control of the Presidency and so ministries and state officials cannot take any decision without presidential approval. On the contrary, they can be removed from office without the president having to provide any legal justification. All of this serves to weaken their positions in political life. According to Turkmenistan's constitution, only one party—the Turkmenistan Democratic Party—can play a role in political life, but the system as it exists does not permit the formation of any other political party.⁷

Having enjoyed a pluralist and tolerant political system up until the second half of 1990s, Kyrgyzstan was once seen as an Island of Democracy in Central Asia. After this date, however, Akaev, the former president, followed other regional leaders in pursuing nondemocratic and suppressive policies. As in other republics, both political and economic activities were placed under the control of clans loyal to the president and his wife. In systems such as these, where corruption and bribery are widespread and officially sanctioned, the state authorities have neither the capability nor the interest to find solutions to social and economic problems. Furthermore, the government of Kyrgyzstan has denied the Uzbek minority representation in the national parliament. As a result of the regionalism in Kyrgyzstan, a united opposition movement at the national level has not really occurred.⁸

The executive branch is controlled by President Rakhmonov's clan in Tajikistan. Meanwhile the president has used his authority to render parliament politically ineffective. The latter consists

⁶ See: N.J. Melvin, *Uzbekistan: Transition to Authoritarianism on the Silk Road*, Harwood Academic Publications, Canada, 2000.

⁷ See: International Crisis Group, "Cracks in the Marble: Turkmenistan's Failing Dictatorship," *Asia Group*, No. 44, 17 January, 2003, pp. 3-5, 21; International Crisis Group, "Repression and Regression in Turkmenistan: A New International Strategy," pp. 3-5, 9-10.

⁸ See: J. Anderson, *Kyrgyzstan: Central Asia's Island of Democracy*, Harwood Academic Publishing, Canada, 1999; International Crisis Group, "Kyrgyzstan's Political Crisis: An Exit Strategy," *Asia Report*, No. 37, 20 August, 2002, pp. 7-14; International Crisis Group, "Political Transition in Kyrgyzstan: Problems and Prospects," *Asia Report*, No. 81, 11 August, 2004, pp. 4-10.

of progovernment deputies and supports Rakhmonov's policies without any question. The existing regime has overtly violated the regulations governing universal elections. Posts within the state department are bought and sold and state officials abuse their power to advance their own personal interests.

President Rakhmonov has used the fight against international terrorism as a means of preserving his political career and eliminating the opposition. What is more, he has altered the constitution in order to strengthen his legal power. On the one hand, he blames opposition groups for civil unrest, while on the other hand he has failed to answer those who accuse him of supporting the activities of radical Islamic groups.⁹

Economic Field

From an economic perspective, these countries are using their resources to ingratiate themselves with a few privileged groups and to ensure their continuing, active support for their regimes. Economic systems are highly centralized, and this, together with the support of these privileged clans, enables the president to manipulate the political and social areas.

In Uzbekistan, President Karimov claimed that for the Uzbek people internal stability was much more important than market economy. But the existing economic system has led to the creation of poverty, social instability and a widening gap between the poor and the wealthy. For example, the living conditions in Turkmenistan are deteriorating rapidly. In Tajikistan both education and the health service are in crisis. Most of the population is dependent on remittances from other countries and international/regional organizations in order to survive. In addition to those engaged in legitimate economic activity, some groups are involved in the illicit drugs and weapons trade.

Despite all the difficulties facing their societies, the existing regimes object to economic and political reforms. This is because they fear that the introduction of a free market economy might erode their power and strengthen opposition groups both economically and politically. If this were to happen, then new clans might succeed in taking control of the country.

Democratization

As we have seen above (state-building processes) the regimes in these countries are not making any serious attempt to create more democratic systems. On the contrary, the dominant groups who control economic and political areas, continue to suppress any development toward this goal. In Uzbekistan torture is systematic and religious groups and opposition political parties are under the strict control of the regime. The administration actively prevents civil society from operating freely and from investigating social problems. Demonstrations involving more than 100 people are forbidden. In 2003 President Karimov formed the National Security Unit to monitor the activities of the civil society organizations. The media, too, are controlled by state officials. In fact, most media organizations are actually owned by state institutions, either ministries or hakims and it is not possible for the media to survive without financial assistance from the government. All planned transmis-

⁹ See: International Crisis Group, "Tajikistan: A Roadmap for Development," *Asia Report*, No. 51, 24 April, 2003, p. 10; International Crisis Group, "Tajikistan's Politics: Confrontation or Consolidation?" *Asia Briefing*, 19 May, 2004, pp. 2-4.

sions and publications must be submitted to the appropriate media and information agencies in advance. Given the close scrutiny which they are subjected to, it is hardly surprising that media reports speak of “happy workers, huge investments, permanent development of state economy” rather than reflecting the real situation.¹⁰

In Turkmenistan, a law was passed in 2003 preventing any civil society organizations from operating without official permission. Most media organizations are owned by the state and foreign newspapers cannot be sold in the country. The Turkmen government has also limited Internet access among the population. Thus media groups have no real means of criticizing the president’s policies.¹¹

In Tajikistan there are only two daily independent newspapers: *Rozi Nau* and *Nervi Soukhan*. Whenever they have sought to deal with the subjects of corruption, abuse of power and bribery in their news coverage, the authorities have prevented publication by ordering the state-owned publishing house not to print. Journalists are also routinely intimidated and persecuted.¹²

In Kyrgyzstan, prospective publishers must first obtain permission from the state authorities and ten percent of their firm’s shares must be owned by the state. Before any book, bulletin or report can be printed, publishing houses have to submit copies to the authorized state institutions.¹³

Consequently, opposition parties in the Central Asian states are unable to make their presence felt in the political arena and the governments there have made it virtually impossible for any new leaders or effective politicians to emerge. In fact, due to the suppression of the media institutions, people are not adequately informed about the real conditions within the country. As a result, a badly informed electorate tends to give their votes to those candidates who will provide them with some form of financial reward and/or are members of their own clans.

Islam and Islamic Groups¹⁴

By virtue of policies such as the establishment of constitutional-patronage/authoritarian regimes, giving privileges to some clans in the economic and political sphere, and in view of the existing socio-economic difficulties, Central Asian leaders have encouraged some opposition groups, especially radical Islamic movements, to resort to terrorism against the existing regimes. The reality is, however, that there is little support for such radical movements among the local people. For example, 92 percent of Uzbeks, 95 percent of Tajiks and 79.9 percent of Kyrgyz describe themselves as Muslims. However, very few of these people actually advocate the establishment of a common Islamic state in the region or the revival of the Caliphate. In fact, 45 percent of Tajiks and 30 percent of Kyrgyz claim to be against the establishment of political parties based on religious ideology.¹⁵

¹⁰ See: International Crisis Group, “Uzbekistan’s Reform Program: Illusion or Reality?” *Asia Report*, No. 46, 18 February, 2003, pp. 3-5, 22-24; International Crisis Group, “The Failure of Reform in Uzbekistan: Ways Forward For the International Community,” pp. 6-10.

¹¹ See: International Crisis Group, “Cracks in the Marble: Turkmenistan’s Failing Dictatorship,” pp. 8-9; International Crisis Group, “Repression and Regression in Turkmenistan: A New International Strategy,” pp. 11-12.

¹² See: International Crisis Group, “Tajikistan: A Roadmap for Development,” pp. 14-15; International Crisis Group, “Tajikistan’s Politics: Confrontation or Consolidation?” pp. 11-14.

¹³ International Crisis Group, “Kyrgyzstan’s Political Crisis: An Exit Strategy,” pp. 2-3.

¹⁴ For further information about Islamic groups in the Central Asia, see: International Crisis Group, “Is Radical Islam Inevitable in Central Asia? Priorities for Engagement,” *Asia Report*, No. 22, 22 December, 2003, pp. 5-9, 20-24.

¹⁵ See: International Crisis Group, “Is Radical Islam Inevitable in Central Asia? Priorities for Engagement,” *Asia Report*, No. 22, 22 December, 2003, pp. 3-5, 10-16.

On the other hand, existing conditions in the region—such as poverty, deprivation, lawlessness, violation of human rights, unemployment, low standard of living, drugs, poor governance, deteriorating economic conditions, social migration—along with the attitude of the regional leaders toward Islam have led the opposition groups to cooperate with the radical Islamic groups.

For example, in Uzbekistan, any citizen who believes in Islam is automatically suspected of being a member of a radical Islamic group and as such can be investigated by the security institutions. At the same time, the Uzbek leadership uses Wahhabism as a method of eliminating any opposition groups. In Turkmenistan no religious activity can take place without prior approval of the president.¹⁶

These policies have provided fertile ground for radical groups to operate within the local population.¹⁷ After the 11 September attacks, Hizb ut-Tahrir and the Uzbekistan Islamic Movement lost their power as a result of the American military operation. But now, due to the local leaders' policies, they have regained their popularity among the people.¹⁸ In Uzbekistan and Tajikistan, more and more people, disaffected youth in particular, are looking to radical Islam as a solution. Since 2002 and in the face of worsening social difficulties, religious groups have found popular support among the local people.

As a response to this development, the Central Asian leaders supported U.S. operations against the Taliban regime although they were against America's operation in Iraq. The understanding of this conflict in Uzbekistan was that the United States was seeking to secure the natural resources of the region for purely Western interests. Tajik and Kyrgyz officials, on the other hand, accepted that the U.S. aim had been to destroy Iraq's weapons of mass destruction. The only opposition groups who supported the operation were those in Kyrgyzstan and that was because they wanted the United States to send a clear message to the Akaev government. The reaction of the people themselves was twofold although unconnected: growing anti-Americanism, followed by anti-Westernism. The radical groups, which represent only five percent of the total population, are against the Western world under any circumstances.¹⁹

C o n c l u s i o n

Through their policies, the leaders in Central Asia have lost a historic opportunity. In statements made during the first years of independence, they all vowed openly that their political and social aims would be very much in keeping with the spirit of Atatürk. But in the event they have shown themselves to favor the authoritarian approach. Atatürk sought to transform Turkish political life in a variety of ways: he moved from a one-party to a multi-party system, he encouraged his friends to form a separate party and at the same time enabled Turkish businessmen to form their own national bourgeoisie. Central Asian leaders have done the opposite: they have established one-party and one-man political system and provided privileges to those clans the President belonged to.

These policies will lead to the deterioration of regional stability and security of the type already witnessed in Uzbekistan and Kyrgyzstan. For once the opposition groups find an opportunity

¹⁶ See: International Crisis Group, "Repression and Regression in Turkmenistan: A New International Strategy," p. 6.

¹⁷ See: International Crisis Group, "The Failure of Reform in Uzbekistan: Ways Forward For the International Community," p. 4.

¹⁸ See: International Crisis Group, "Tajikistan's Politics: Confrontation or Consolidation?" pp. 10-12.

¹⁹ See: E. Efeğil, "11 Eylül Sonrası Büyük Devletler Arasında Artan İşbirliği, *KÖK Araştırmalar*, Vol. IV, No. 1, Winter 2002, pp. 163-176; E. Efeğil, "New Chapter in the Eurasia Politics After the September 11 Attacks: Reactions to the American Attempts," *Review of Social, Economic and Business Studies*, Vol. 2, Winter 2002-2003, pp. 65-89; International Crisis Group, "Is Radical Islam Inevitable in Central Asia? Priorities for Engagement," pp. 10-16.

to express their views, whether through peaceful means or other, they will rebel and organize demonstrations against the central authority. More importantly, protests such as these can lead to civil war, as happened Tajikistan. For the moment, there is strong rivalry between groups in the north and south of Kyrgyzstan. Meanwhile, the leaders are failing to select and train the politicians who will rule the country in the future. All of this means that the political outlook in these countries is at best uncertain.

It was originally hoped that with the support of external powers, the Central Asian states would become more democratic within a very short time. Unfortunately, however, the hope is no longer realistic. The Tulip Revolution is a case in point. For once the opposition groups had gained control of the state institutions, they postponed any constitutional changes and eagerly set their sights on property distribution rather than the democratic transformation of the country. Under the circumstances there would seem to be only one answer to the question of what should be done: the people need to be helped to understand more about democracy and encouraged to evolve in that direction.

In summary, it seems unlikely that the Central Asian states will have effective democracy in the near future although there is a desire on the part of the local people to see democratic regimes in power in the region. Therefore the Western world, together with civil organizations of the region, should prepare a comprehensive action plan that would take into account the specific conditions and requirements of the region. In addition to tailoring them to their strategic interests, Western countries must seek to incorporate a more idealistic dimension into their foreign policies.

CENTRAL ASIA'S POWER DILEMMAS

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It turned out to be much harder to create new power structures in Central Asia than elsewhere in the post-socialist world: no matter how hard it was for the Central European countries to acquire new political institutions, their advance toward the Western democratic model was much smoother. In the European part of the

post-Soviet geopolitical expanse, Russia, Ukraine, and Moldova experienced fewer problems than the Central Asian region (CAR for short), though they too had their share of contradictory and, in many respects, unpredictable attempts at reforming their state machines. In Central Asia, this is due to the poly-civilizational

nature of public life that could not but affect the local peoples' political culture and the political elites' approaches to the task of the fundamental political reconstruction in their countries.

Those responsible for such reconstruction took the Western democratic values as their starting point, but this civilizational orientation proved relative, not absolute: in most of the local countries these values are not rejected—they are merely imitated. The local peoples find it hard to embrace the values as part of their national political mentality: they are interpreted through the seemingly more European (than the traditional local culture) elements of the Soviet way of life of long standing. The Soviet educational system might have helped, but its impact on "Europeanization" was greatly undermined by the predominance of the rural population, which, for obvious reasons, was less exposed to European culture than the urban dwellers. Since the early 1990s, the intelligentsia more widely exposed to technological and economic achievements in other countries has been affecting Westernization of the local perception of the world to a certain extent.¹

The Soviet past created very specific conditions for today's political developments in the region. A keen observer will conclude that in many respects the Soviet political system was very close to the local traditional culture. I have in mind state paternalism, the authority of elders (the republican and local Communist functionaries of Soviet times) used for political purposes, purely formal elections, the obvious gap between the form and real nature of the power structures, etc. Until the mid-1970s, it was the "Soviet" traits that dominated these elements of political culture, which consistently, but not efficiently enough, squeezed out the traditional approaches to society and the relations inside it, which could be described as nationalistic and contradicting the "friendship of peoples" ideology. During the stagnation of Brezhnev's era,

¹ It was P. Willis who detected this phenomenon as applied to the Soviet technical intelligentsia back in the 1960s (see: P. Willis, *Political Economy of Communism*, Harvard University Press, Cambridge, Mass., 1962, p. 329).

however, and especially during Gorbachev's perestroika, the traditional culture of social relations in CAR came to the fore. The old internationalist slogans survived for a while, but the traditional culture, carefully painted in the colors of the "developed socialism" ideology of the Communist Party and the Soviet system, slowly but surely drifted toward the traditional clan-based vertical of power. The Kremlin proved unable to check this drift.

Kazakhstan was one of the most graphic examples: during Brezhnev's stagnation, D. Kunaev, first secretary of the C.C. Communist Party of Kazakhstan, who, according to Soviet tradition, wielded more power than anybody else in the republic, belonged to the Elder Zhuze; the Chairman of the Council of Ministers represented the Middle Zhuze, while the Chairman of the Presidium of the Republican Supreme Soviet belonged to the Younger Zhuze. This means that the top republican posts were clan-controlled.²

The remaining elements of Muslim civilization that Soviet power undermined, but could not uproot altogether, proved extremely important for all the political changes occurring in Central Asia. Like all other world religious and civilizational phenomena, Islam, after many centuries of functioning in the region, adapted itself to the local conditions, political priorities, and mechanisms of their realization. The role of Islam and its values in public life differed from country to country: from very important among the settled population of Uzbekistan and agricultural population elsewhere to much less important among the nomadic groups of Kazakhstan, Kyrgyzstan, and Turkmenistan. The homo politicus, however, in all the countries followed the same landmarks in the system of political relations of the newly independent states. Many, including Samuel Huntington, share the opinion that Muslim society is more collectivist than Western society³ and that human conduct is largely determined by clan and tribal affiliation.⁴ As part of the local mentality, this

² See: N. Amrekulov, "Zhuzes and Kazakhstan's Social and Political Development," *Central Asia and the Caucasus*, No. 3, 2000, p. 105.

³ See: S. Huntington, *The Clash of Civilizations and the Remaking of World Order*, New York, 1996, p. 71.

⁴ See: *Ibid.*, p. 174.

directly affects citizen involvement in political activities, even in the less religious Central Asian countries.

The original poly-civilizational elements of local world outlook (of the common people as well as of the people at the helm) not only made state development more difficult, but also created a number of hard-to-resolve dilemmas. Today, they are still negatively affecting, albeit to different degrees, everything that goes on in public life.

These countries are exposed to the dilemma of either choosing the Western values by which the geopolitical giants (the U.S., NATO and EU members) assess the situation in the region's public life or accepting the impact of the Soviet heritage and the revived and strengthening symbiosis of traditional mentality and the Muslim axiological attitudes. This dilemma is most comprehensive and hard to resolve. The Central Asian leaders, with the exception of Saparmurat Niya-

zov and his autocratic regime in Turkmenistan, are out to exploit, to different degrees and with very different results, the entire range of these impacts to preserve their regimes, depending on their countries' specific domestic and foreign policy contexts.

It can be said that during the 15 years of independence, none of the CAR leaders has stumbled across the best possible correlation between the two factors. I shall demonstrate below that these factors have not only failed to consolidate political institutions—they act as opposing factors. On the whole, the combination of these factors is still shaky and has not yet developed into a force capable of moving regional political developments in one direction. Each of these factors is, in fact, an individual phenomenon that only partly cooperates with other similar factors in molding the political organisms of the Central Asian countries.

The Western Values

Very rarely, if ever, do the local leaders speak of Western values when talking to their nations. More often they talk about the traditional mentality of Central Asian society. The principles of democracy and civil society are present in all Central Asian constitutions, but their implementation, divorced from the entire system of political transformations, has little in common with Western standards. However, this allows the local leaders to talk, more or less confidently, to the West about the democratic institutions gradually unfolding in their countries in order to remain among the civilized regimes. In fact, in the geopolitical context, it is an open secret that the Central Asian leaders are busy persuading their Western partners of their total dedication to the democratic form of governance, which is taking a lot of effort to introduce due to the "objective difficulties" of the period of building statehood under very specific local conditions. The developed democratic countries, on the other hand, which treat stability in CAR as an absolute priority, have to accept these arguments and resign themselves to sporadic reproaches of human rights violations, imitation of free elections, and other digressions from the democratic norms.

The circumstances in which President Islam Karimov visited the United States in 2002 are very typical in this respect. The sides signed the Declaration on the Principles of Strategic Cooperation and Interaction between the two countries, which developed the idea of a special partnership between Uzbekistan and the U.S. first formulated a month after 9/11. It would be naïve to think that the Americans believed that Uzbekistan would carry out "democratic transformations in society more actively"—a formulation that appeared in the final communique. In fact, the United States had to support the thesis in order to preserve its geopolitical position in the region.

Washington passively responded to the fact that President Karimov failed to live up to the obligations he assumed during his American visit—it merely cut back its financial aid in 2003 and

later. The West, the OSCE in particular, was more energetic in its negative assessment of the undemocratic parliamentary election in 2004. (Back in 2002, President Karimov pledged, on his own free will, to radically change the election procedure.) It was only Uzbekistan's refusal to let foreign observers investigate the tragic events in Andijan in May 2005 that caused a more stringent and much wider response from the OSCE, EU, the U.S. and other democratic states and international organizations.

The election systems and parliamentary procedures in Central Asia supply the most graphic examples of sham "dedication of the Central Asian regimes to democratic values." The extremely high share of votes (from 80 to 90 percent) cast for the leaders in 1990 and 2000 in Uzbekistan, in 1999 and 2005 in Kazakhstan, and in 1999 in Tajikistan is the best illustration of this. In Turkmenistan, President Niyazov received 99.5 percent of votes in the absence of a rival—a figure that brings to mind Soviet times. In other republics, where competition was allowed, the stronger rivals were prudently removed from the race. This happened to former Premier of Kazakhstan A. Kazhegeldin and former Majilis Speaker Zh. Tuiakbay.

In Central Asia, the multiparty system is nothing but an imitation, which parliamentary elections throw into bolder relief. It devalues the very idea of Western-style legislative power. When summing up the first decade of the Central Asian republics' sovereign existence, German researchers concluded that this imitation made the parliament, which had no independent role to play as the legislative branch, an extension of the president's power.⁵ In the last five years nothing much changed, even though the seats the opposition won in nearly all the parliaments is considered a sign of intensive democratic "Westernization."

In fact, parties and alliances of varied orientations were allowed to run for the parliaments on a wider scale in most of the local states because of the changed domestic situation rather than due to Western pressure. The leaders strengthened their position to the extent that they became less afraid of opposition; the presidential term was extended from five to seven years (in 1999 in Kazakhstan, in 2002 in Uzbekistan, and in 2003 in Tajikistan); and the presidents were allowed to be re-elected to the same post for several consecutive terms. (In Turkmenistan, President Niyazov became president for life in 1999.) The two-chamber parliamentary system introduced in the Central Asian countries in imitation of developed democracies made it easier for the presidential administration to manipulate the highest legislative body. This explains why on the eve of the Tulip Revolution, the Kyrgyz opposition demanded a one-chamber parliament. Economic and political stability in Kazakhstan and relative political stability in Tajikistan relieved the ruling elite's fears that the opposition might undermine the ruling clans' position.

National referenda became a tool for pushing the parliaments aside when key political issues were at stake (longer presidential terms and broader presidential powers among others). On top of this, some countries acquired essentially unconstitutional political structures that doubled the parliaments: the Assembly of the Peoples of Kazakhstan set up in 1995 and the People's Council (Khalk Maslahaty) in Turkmenistan, which appeared in 2003. Pro-governmental parties dominate all the parliaments, while the obviously opposition parties (Birlik and Erk in Uzbekistan and the Democratic and the Social-Democratic Party in Tajikistan) are regularly removed from the race under various pretexts. Opposition in the highest legislative structures is a decoration intended to embellish the regime and make it look more democratic.

This is especially true of Kazakhstan, which is being closely watched by the West because of its intention to chair the OSCE in 2009. The presence of a loyal opposition in its Central Asian neighbors has already improved their image in the eyes of the world community. In real life, however, such opposition parties as Ak zhol in Kazakhstan and the Communist Party and the Islamic Revival Party

⁵ See: *Internationale Politik*, No. 10, 2001, p. 66.

in Tajikistan cannot influence the political reality in their countries because of negligible representation in parliament.

While adhering to “Westernization” for the sake of appearances, the ruling regimes actually fear it, since it might have an ever-greater effect on social processes. The money the West, both the governments and the NGOs, allocated for democratic changes goes to all sorts of organizations, not necessarily loyal ones, but also to those that oppose the regimes in the most obvious and irreconcilable way. M.B. Olcott, an American expert in Central Asian affairs, has written that money from the U.S. Agency for International Development was distributed through American NGOs that cooperated with local, mostly politically neutral, groups; there were also those that openly opposed the regimes.⁶ Askar Akaev, former president of Kyrgyzstan, directly accused foreign foundations, without enough evidence, of plotting against him. The other Central Asian leaders took this into account. In Turkmenistan, the money is mostly distributed among Turkmenbashi’s political opponents based abroad.

The very fact that the most “pro-Western” of the Central Asian leaders was deposed increased anti-Western sentiments among his colleagues. From the reforms of the early 1990s, initiated without much success by the IMF, to the latest efforts to invigorate political and economic cooperation with the U.S., EU, the World Bank, and other international structures on the eve of the political changes in Kyrgyzstan, the West was looking at the country as a state most inclined to embrace Western-style democracy, despite its CIS membership and affiliation with EurAsEC headed by Russia.⁷ The fact that the United States and the other big geopolitical actors abandoned Askar Akaev at the most critical moment convinced the other CAR leaders that the region’s secondary importance geostrategically in the eyes of the West made it an unreliable partner.

It would be wrong to say that Western values were introduced under outside pressure, no matter how contradictory they looked inside the country. By introducing them Nazarbaev, Karimov, and Rakhmonov, as well as Akaev (while he was the president) cemented their political and ideological base and limited, by the same token, the influence of their opponents wielding narrow traditionalist and religious-extremist slogans. Limited “Westernization” also drew the best-educated part of the autochthonous population and the Russian-speaking population to their side.

The ruling circles’ tendency to use elements of Western political culture to different degrees, coupled with the traditional mentality of the nations’ majority, has created a dilemma. Together with the social and economic crisis obvious nearly everywhere in the region, it developed into a potential threat of destabilization in the Central Asian countries.

Nursultan Nazarbaev and his administration have found the most rational (albeit far removed from the Western standards) solution. R. Zhanguzhin, a leading Ukrainian researcher of the Central Asian problems, has offered the following interesting opinion: “Kazakhstan is a special phenomenon, a transit country actively adjusting to Western standards of state, political, legal, and socioeconomic development.”⁸ Uzbekistan and Tajikistan are demonstrating no haste to resolve this dilemma through a national model; the same is true of post-Tulip Kyrgyzstan. In Turkmenistan, even the most primitive Westernization elements were rejected, but the threat of the dilemma persists.

⁶ See: M.B. Olcott, *Vtoroy shans Tsentral'noy Azii*, Moscow Carnegie Center, Moscow, Washington, 2005 (English edition: *Central Asia's Second Chance*, Carnegie Endowment for International Peace, Washington, DC, 2005), p. 166.

⁷ “In Kyrgyzstan, it was democratization that determined the social and economic developments in the country,” said former president Akaev about the causes of the Tulip Revolution in his country. We may agree with this on the whole (*Moskovskiy komsomolets*, 27 July, 2005).

⁸ R.N. Zhanguzhin, *Novye nezavisimye gosudarstva Tsentral'noi Azii v sisteme sovremennykh mezhdunarodnykh otnosheniy*, Institut mirovoi ekonomiki i mezhdunarodnykh otnosheniy, Kiev, 2005, pp. 321-322.

Soviet Heritage

The political culture of the Soviet period has been rejected nearly everywhere, yet it continues to affect, to a lesser degree, the social processes in all the Central Asian countries. This influence can be traced in several areas.

For obvious reasons, it affects the world outlook of the older functionaries, especially of those who filled the top posts. All the Central Asian presidents, with the exception of Rakhmonov and including deposed Akaev, came to power as leaders of the Union republics. This allowed them to invite the most experienced people, all of them Soviet administrators, into power structures (especially in the first years after gaining independence). In the past fifteen years, new people arrived (through removing the most efficient rivals among other things), yet the old traditions of administration partly survived.

The ruling elite remained convinced that the Soviet standards of political administration and economic management from above, as well as building up the vertical of power by appointing people were the most efficient. In all the Central Asian countries, the presidents appoint the cabinets, while the parliaments are either completely removed from this process or take token part in it. As a result, the top executives are frequently removed. This is true, first of all, of the prime ministers and heads of the military and law-enforcement bodies, who potentially might become too strong and pose a threat to the president. This is true of the lower administrative levels. Today Kazakhstan is the only country in which, starting in 2001, some of the bureaucrats have been elected to their posts from among several candidates.

It should be said that the widely shared trust of the population in Soviet traditions—state paternalism, undeveloped civil consciousness, passivity when it comes to key political decisions (confirmed by the inordinately high support of the leaders during elections)—feeds the elite's conviction that this model of social administration is the best one.

In all the Central Asian states, the "Soviet" elements survived in political life thanks to the transformation of "socialist property of all the people" into the cornerstone of the economic clans' might. The relations between political and economic power in the local countries are not as straightforward as elsewhere in the world: here business depends to a great extent on administrative structures. This dependence (which is especially high in Turkmenistan and Uzbekistan, according to foreign experts, where property remains under administrative pressure) makes the business community obedient Soviet-style. The initial privatization process bordered on crime, which means that the owners of former public property remained extremely vulnerable, while the attempts of the "new business circles" to confront power could be effectively suppressed. In Kazakhstan, those businessmen who, beginning in late 2002, were involved in the opposition Democratic Choice of Kazakhstan movement had to retreat in the face of state pressure; their organization was disbanded.

The Soviet heritage is especially obvious in foreign policy; all the countries are still members of the post-Soviet CIS, even though Turkmenistan and Uzbekistan repeatedly criticized its results and the fact that the organization is Russia-dominated. At the same time, their continued presence in the post-Soviet geopolitical expanse allows the Central Asian countries to obtain tactical advantages in their relations with the outside factors of influence—the United States, EU, Turkey, and Iran. On the other hand, because of their CIS membership, two countries—EurAsEC members (Kazakhstan and Tajikistan)—profited from their cooperation with Russia: Kazakhstan acquired economic advantages, while Tajikistan achieved relative domestic stability. Uzbekistan deemed it necessary to shift its priorities from GUUAM to EurAsEC. Turkmenistan has revived its active relations with Russia within the CIS.

As distinct from the other factors of political influence in CAR, the Soviet heritage will never develop into a dilemma: the number of those who cherish it (former Soviet functionaries and members of the communist parties still in some parliaments, although losing electoral support) is gradually diminishing. There will be no place for the Soviet elements in the new political and economic structure; most CAR countries will preserve, for a while, the features that make them post-Soviet states.

The Reviving Traditional Values

National self-identity, which brings people back to historical traditions, is an objective feature observed in all the new states. In the 1960s-1970s, this was obvious in Africa and Asia. Francis Fukuyama, who in 1991-1992 wrote about the awakening nations in Soviet Central Asia, noted that their members were rummaging in libraries to rediscover their historical tongues and cultures, which were absolutely novel for many of them.⁹

In Central Asia, like in many other regions, the national self-identification process was accompanied by the revival of deeply buried nationalism and traditionalism. It is not my intention to discuss nationalism and its constructive and aggressive sides here—the subject is too vast and complicated. I have to say, however, that this phenomenon has affected the process of power formation in Central Asia. Xenophobia was mounting not so much at the official as at the everyday level; it was responsible for the exodus of Russian-speaking refugees, who left the Central Asian countries in millions. Starting in the early 1990s, all local Russians lost their more or less responsible posts due to official politics. This happened everywhere, especially in Turkmenistan and Uzbekistan. The vacated positions went to locals, many of whom lacked the necessary experience and acquired the posts through family and clan connections. The remnants of the Russian community and the non-titular nations (even with due account of emigration) are inadequately represented in the CAR legislatures.

In Kazakhstan, the situation is somewhat different: in the country's north, Russians and the members of other ethnic groups head some of the regions. (German A. Braun, for example, heads the Akmola Region.) They were also members of several governments; in the early half of the 1990s, Ukrainian Tereshchenko was prime minister; at least a quarter of the seats in the parliament were filled by members of the non-titular nations. In 1995, the Constitution of Kazakhstan was amended to fit the standards of political correctness: the formulation that described Kazakhstan as the "native home of the Kazakh nation," which appeared in the 1993 Constitution, was replaced with the "people of Kazakhstan" formulation. Still, the republic has already lost about two million of its former citizens: national relations in the country are obviously much less straightforward than the official statements try to make out.

The official course at reviving and strengthening traditions is even more important for building statehood in Central Asia. The conception "the Soviet people are a new historical community of people" devised, among other things, to distort or conceal the facts about the past that refused to fit official ideology disappeared together with the Soviet Union. The newly independent states found themselves in an ideological vacuum to be filled with a well-substantiated exposition of the historic mission of each of the titular nations. This could be best done by drawing on the traditions rooted in the distant past—before these areas became parts of the Russian Empire and the

⁹ See: F. Fukuyama, *The End of History and the Last Man*, The Free Press, New York, 1992.

Soviet Union. In quest of self-identification sources of the titular nations and wishing to justify their ambitions as the leaders of the newly independent states, the leaders of all the countries turned to the past.

The official assessments of the historical roles of the titular nations of nearly all the Central Asian countries have absolutely nothing in common with the “Turkmen-centered” conception of Eurasia’s presented by Turkmenbashi Niyazov in his *Rukhnama*. In all the other Central Asian countries, historical facts were treated more soberly, even though some of the events and prominent figures of the Middle Ages were obviously overestimated. This is true of different assessments of the role of Genghis Khan and his descendants and the effects of the Mongol conquerors in general; of Amir Timur and other national and regional leaders of the past. In Uzbekistan scholars are quite right when they speak of its much higher, compared to Russia and Western Europe, medieval civilization. Some Western academics, M. Olcott among them, has pointed out that the state symbols of Kazakhstan bring to mind the times of the Turkic Kaganate. Much is being done in Kyrgyzstan and Tajikistan to carry out an in-depth study of their ethnogenesis and nation-formation on their territories, as well as their linguistic and cultural development. Like in all other countries that gained their independence before them (the United States of America and the former African and Asian colonies), these historical studies add weight to the ideas of statehood and slow down the “erosion” of national identity.

At the same time, historical studies offer an ideological basis for the traditionalist elements of the political system in the making, which is very different from the Western civilizational canons. Indeed, in all the Central Asian countries, clan and family affiliation is treated as an absolute priority when it comes to staffing administrative structures of all levels. That is why this principle is totally rejected by the Western thought.

On the one hand, this principle is responsible for the strictly centralized administrative system, which, in the final analysis, contributes to political and economic stabilization. On the other, the same principle is responsible for the corruption evident at all levels of the administrative vertical; it helps replace democracy with the rule of bureaucrats acting beyond control and tied together as members of the same clans by the cover-up system.

In her book *Central Asia’s Second Chance*, M. Olcott described another, no less important, specific feature of the Central Asian political culture. She wrote that the nomenclatura was made up mainly of ethnic Kazakhs raised in an atmosphere in which *respect for elders was the key principle*¹⁰ (italics mine.—V.B.). This is even more obvious in Uzbekistan and can be partly applied to the other Central Asian countries. The authority of elders is one of the most typical features of the local mentality. In this respect, the local nations stand apart from the West, in which young people are, at best, indifferent to the elder generation or even hostile to it. This respect for those who preserve traditions helped the national cultures survive in Soviet times. The elements of national cultures were preserved in the Uzbek *makhallia* and the rural areas of all the Central Asian countries. This phenomenon is responsible for features which are very different and typical of CAR, and other Muslim states for that matter. It breeds conservatism and thus negatively affects the way the positive innovations (in the production and business sphere among other things), in which the contemporary world abounds, are seen. What is more, “respect for elders” is much more than respect for older people: it includes the people at the top. In this way, it negatively affects the nation’s political activity: at the polls, voters tend to follow the opinions of their superiors. To a great extent, the clan-based administrative vertical of power owes its stability to the same principle of bowing down to the authority of the bosses. Traditions and traditionalism are responsible for the passive acceptance of the personality cult of the local leaders imposed everywhere in CAR. As a result, they and their clans dominate politics and the economy, to say nothing of the extreme authoritarianism of

¹⁰ See: M.B. Olcott, op. cit., p. 181.

Niyazov's regime. Everything in the life of Turkmen society is subordinated to the head of state. In other countries, too, domination of the "ruling families" is no less obvious. Nazarbaev's family owns the lion's share of the republican mass media and many of the republic's economic facilities. His daughter, Dariga, heads the Asar Party; she is one of the most active political figures in Kazakhstan. Mansur Maksudi, President Karimov's former son-in-law, an ethnic Uzbek and an American citizen, established his control over the trade in cotton, oil products, and sugar. After his divorce, he was accused of profit concealment, money laundering, and larceny.¹¹ Saparmurat Niyazov, well known for his greediness, refused to trim his share of the gas revenues to 20 percent of its world price. He uses the billions thus earned to build exclusive facilities in Turkmenistan or stores the money away in a London bank, of which his son-in-law, A. Sokolov, is manager.¹²

In the countries in which the family clans of the top leaders are not alien to getting rich by plundering the national economies, bureaucrats of all levels feel free to line their pockets at the expense of the people. Nearly every study of the social and economic situation in the Central Asian countries speaks of an extremely high corruption level, which outstrips corruption in Russia and other post-Soviet states. The redistribution of extremely low incomes in favor of the corrupt bureaucracy exacerbates the social contradictions; despite the nations' low political activity, this is fraught with serious destabilization in the CAR countries. This has already happened in Kyrgyzstan. On top of this, the clan system tends to oust members of other clans or economic groups far removed from the country's leaders from the political and economic spheres. The discriminated groups are trying to hold out, which might destroy the country's political stability.

The negative features of social and political life in the Central Asian states described above cannot be explained by the centuries-old values of its nations: the rulers are merely exploiting traditionalism in their interests. The objective dilemma lies in a different plane: to secure their future each of the local states should limit the elements of conservatism inherent in traditionalism and find means and methods of cooperation with partners living in the post-industrial world and enjoying a higher information development level. Today the Central Asian countries face a different, purely subjective, dilemma: will the narrow circle of the political elite continue exploiting traditionalism in its own interests, or will forces appear capable of using traditional values to ensure stability in the interests of all the people and use their positive sides to ensure economic, social, and innovatory and technological progress. (India has already done this.)

The Islamic Factor in the Central Asian Region

The terrorist acts of 2001 in the United States spurred on studies of the place and role of Islam in the contemporary world. There is any number of publications dealing with the role of the Muslim factor in the political and ideological spheres of the Central Asian states.¹³ The vast number of works on this subject allows me to limit myself to a few of the most important aspects of the relations between Islam and state power in the Central Asian countries.

¹¹ See: E. Bay, "Byvshiy ziat Islama Karimova mozhet possorit SShA i Uzbekistan," *Izvestia*, 24 December, 2003.

¹² See: "Padishakh XXI veka," *Korrespondent*, No. 49, 2005, p. 61.

¹³ Besides the already quoted books by R. Zhanguzhin and M. Olcott, there are definitive works by the same authors: M. Olcott, *Kazakhstan: neproydenny put*, Gendalf Publishers, Moscow, 2003 and R. Zhanguzhin, *Kazakhstan postsovetskiy*, IMEMO Press, Kiev, 2004 (see also: P. Luong, *Institutional Change and Political Continuity in Post-Soviet Central Asia*, Cambridge University Press, 2002, and articles by V. Bushkov, E. Friedman and M. Walton, Ch. Chotaev and others in the *Central Asia and the Caucasus* journal, *Central Eurasian Studies Review*, etc.).

At the turn of the 1990s, Islam burst to the forefront in all the Central Asian countries for several reasons. The Soviet atheist regime was especially strict with Islam: the Muslims were deprived of nearly all contacts with Muslims abroad and could use a very limited number of mosques at home. Naturally enough, in the wake of the Soviet Union's disintegration, the number of mosques, madrasahs, and other religious facilities increased hundreds of times. The local people had the opportunity to receive a religious education at home (in the educational establishments run jointly with Saudi Arabian, Kuwaiti, and other Islamic sponsors) and in the Islamic university centers of Egypt, the UAE, Turkey, etc. The newly educated clerics gradually replaced the poorly educated "people's mullahs."

The fact that none of the Central Asian leaders managed to fill in the void left by the rejected Soviet ideology strengthened Islam's position in the region. Islam filled the ideological vacuum with a system of postulates that, over the centuries, has adjusted itself to the national traditions.

It should be said that the local leaders were not overjoyed with the Islamic revival—at best they merely tolerated the renewed religious zeal. The constitutions of all the Central Asian states, elaborated and adopted under the strict control of the power structures, speak of their purely secular nature. The Islamic Revival Party of Tajikistan is the only officially recognized Islamic party in this vast Islamic region; it survived under the 1997 national reconciliation agreement. Today, under pressure from the strengthening Rakhmonov regime, it has had to retreat from its former position, even though it demonstrates its loyalty to the government.

Officially, the state cannot interfere in religious affairs—in practice the power structures of all the Central Asian countries are seeking strict control in the religious sphere. Turkmenistan has established the strictest control over religion, as well as in all other social spheres. In 2004, the authorities went as far as arresting Mufti Nasrullah ibn Ibadullah, who objected to the propaganda of *Rukhnama* in mosques. Uzbekistan limits the number of newly built mosques; the mufti works under control of the Committee for Religious Affairs. The Spiritual Administrations of the Muslims of Kazakhstan and Kyrgyzstan, which have the power to appoint mullahs and imams, pass judgment on the canonical side of their activities, etc., are operating under strict administrative control. It should be said that the state and religious leaders act together against the unofficial sects and movements, many of which (Hizb ut-Tahrir, the Islamic Party of Eastern Turkestan, etc.) have turned religion into an ideology and a tool of anti-governmental activities.

Today, their potential threat to power differs from country to country. Geographically, such movements are the strongest in the Ferghana Valley, which covers, in addition to other areas, the southern fringes of Kazakhstan and Kyrgyzstan. The share of Muslims in these two states is much lower than in the other Central Asian countries (according to Freedom House, there is an equal number of Muslims and Orthodox Christians in Kazakhstan¹⁴). In Uzbekistan, in which Muslim traditions are especially strong and in which the absolute majority of the population is Muslim, confrontation between Islamic extremism and the government has become very complicated. In the Ferghana Valley and elsewhere in the country, religious extremists can count on popular support; and some of the local functionaries are on their side too. In Tajikistan, the picture is different: the civil war taught the people to reject all potential threats to stability, which has considerably weakened the position of the Islamic anti-governmental forces.

On the whole, the problem of Islam's incorporation into the Central Asian state structure is far from simple, mainly because Muslims, as Western students of civilizations have pointed out, belong to the Muslim civilization as a whole, not to any single state.¹⁵ For this reason, Islam, even its loyal

¹⁴ See: E. Freedman, M. Walton, "Independent News Web Sites' Coverage of Religion in Central Asia," *Central Asia and the Caucasus*, No. 1 (37), 2006, p. 103.

¹⁵ See: S. Huntington, op. cit., p. 175.

yet orthodox varieties, cannot accept the Western/traditionalist “duality” of the current policies of statehood development in most of the CAR countries.

Their leaders have revealed a lot of pragmatism when dealing with the Islamic axiological postulates. In Uzbekistan, Muslim traditions are invoked to justify the state’s monopoly of land and foreign trade.¹⁶ In real life, however, the local functionaries are getting rich through land distribution and top administrators are raking in the profit from export-import operations.

Instead of interfering in religious affairs in the interests of the ruling regimes, the state should extend its all-round support to loyal Islam in the form of assisting the local religious education system, setting up a network of religious facilities under the local spiritual administrations of the Muslims, etc. Even if this is not the best alternative, it is a mutually acceptable measure that could help loyal Islam resist extremist pressure, to which it is just as vulnerable as the state.

The Problem of Successors

Everywhere in the region, with the exception of Kyrgyzstan, in which the leaders were replaced through a revolution, and of Tajikistan headed by a relatively young leader, the successor problem is of acute personal and political importance. In fact, it calls for the ingenuity Boris Yeltsin demonstrated in a similar situation, or for the long and careful spadework carried out by Heydar Aliiev in Azerbaijan, lest the change in leader cause an upheaval. In Kazakhstan, Uzbekistan, and Turkmenistan, the change in leader will not be limited to new people at the helm, or disappearance of the ruling clan from the political and economic scene. It might trigger radical changes in the state structure.

I have already written that the three presidents legislatively extended their presidential terms. This, however, has not solved the problem—for obvious reasons it has merely postponed the inevitable natural succession for an indefinite period. So far, none of the countries has chosen a clear procedure for selecting the best possible successor. The rivalry among the potential successors is gaining momentum, destabilizing the domestic political situation and undermining the country’s ability to oppose foreign influence (this cannot be fully applied to Turkmenistan where Niyazov’s dictatorship rules out alien influence).¹⁷

The situation in Uzbekistan is even vaguer than elsewhere: the family clan lacks strong figures, while the closest circle abounds in people with more or less equal political weight. Recently the names of Internal Affairs Minister Zakir Almatov, Chairman of the National Security Service Rustam Inoyatov, Premier Shafkat Mirziaev, vice premiers Eler Ganiev and Rustam Azimov, and Foreign Minister Sadyk Safaev have been mentioned as potential successors. More names can be quoted. In Kazakhstan, the successor might be selected from among the family of Nazarbaev—either Dariga, his daughter, already very active in politics, or her husband, Rakhat Aliiev, or Timur Kulibaev, another son-in-law.

In both countries, the absence of one successor openly patronized by the head of state makes it impossible to predict who will ultimately receive the post. What is more, this situation is aggravating the rivalry inside the ruling elite, which may go on for a long time and abound in turns of fortune.

¹⁶ See: *Uzbekistan: desiat let po puti formirovaniya rynochnoi ekonomiki*, Uzbekiston Publishers, Tashkent, 2001, pp. 24, 339.

¹⁷ R. Zhanguzhin offers a detailed analysis of the rivaling forces in his *Novye nezavisimye gosudarstva Tsentral’noy Azii v sisteme sovremennykh mezhdunarodnykh otnosheniy*, quoted above.

Karimov's successor depends on the balance of forces among the regional clans—the Samarqand (currently the closest to the president), Tashkent, and Ferghana clans. One of them is even going as far as enlisting the support of religious figures—a very specific Uzbek option that will add political weight to the Islamic factor.

In Kazakhstan, where one of the family stands a good chance of succeeding the president, the situation is not that simple: there is a widely shared opinion among the experts that the 2011 presidential election will be less smooth for the president; Dariga Nazarbaeva's Asar Party received fewer votes in the last parliamentary election than had been forecasted.

There is a specifically Kazakhstani factor, which may upset the balance of forces on the eve of the change in leader. I have in mind the economic and financial might of each of the rivaling clans and those of the oligarchic groups that are still pondering on the best possible political alignment. The so-called Eurasians (owners of the largest heavy industry enterprises of Kazakhstan) will play one of the key roles: they are not Kazakhs, therefore they are free from clan influence and are free in their political preferences. Other countries, Russia and the United States in particular, or probably (will less success) members of the Economic Cooperation Organization of the Muslim States (Turkey, Pakistan, and Iran) might interfere in the leader changing process. These Muslim countries already tried to actively interfere in the CAR in the mid-1990s.

In the near future, Kyrgyzstan and Tajikistan will have their share of successor-related problems.

In Turkmenistan, the current political system will collapse as soon as its present leader leaves the stage. We have already seen that elsewhere.

The leaders of the countries with undeveloped democracies must appoint successors during their lifetime: the future of their families depends on their choice. This is a tragic situation: the fate of too many "first families" across the world has been very sad. This is a tragedy for the man-in-the-street as well: having no say in a matter that will shape his personal fate and the country's future, he has to helplessly watch as developments unfold. This scenario, unfortunately, is the most probable for the Central Asian region, at least in the foreseeable future.

In Lieu of a Conclusion

In his interview with the Chinese media on the eve of the June 2006 SCO summit, President Karimov said that his country intended "to resolutely counter external attempts to impose Western methods of democratization and public development on our countries." Other CAR leaders will agree, openly or not, with this. The statement itself arouses mixed feelings. On the one hand, it is caused by the persistent attempts of the United States, the EU, OSCE, and other international organizations to impose their own standards of social order on the Central Asian countries without taking due account of the local political, ideological, and economic specifics. This creates the risk of sharp rejection of a model imposed from the outside—Kyrgyzstan has already had a taste of this. On the other hand, what the president of Uzbekistan says and does in his country looks like his intention to "conserve" the negative features typical of Uzbekistan and of other countries to a greater or lesser degree.

The most rational development model cannot be found by choosing between accelerated "Westernization" and "conservation"—both are doomed to failure. To reach a higher, more stable, and dynamic level of social development, the Central Asian countries need consistent democratization that would take account of the positive sides of the local mentality and political culture. The future of the Central Asian nations, which deserve a worthy place in the world community, depends on the

ability of the Western and local leaders to understand that the region needs the best possible combination of conditions common to mankind and those specific for Central Asia and to support the efforts to create them.

BUILDING A STRATEGIC PARTNERSHIP WITH KAZAKHSTAN (*A Blueprint for India's Central Asia Policy*)

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I Indo-Central Asian Relations

India has not been able to make significant inroads into Central Asia, a region of vital strategic importance. Central Asia had a considerable impact on the polity and economy all through Indian history. Trade routes linking ancient *Uttara-Paath* to the Silk Road also carried Indian religion, philosophy and science beyond to Inner and Eastern Asia.¹ The British India's security and frontier trade policy with East Turkistan and Afghanistan is well known. People of Central Asian republics always looked toward India with fondness even while they were under Russian dominance or even when they became part of the Soviet system. The Soviet disintegration created fresh opportunities, with new states also looking toward India for political and economic sustenance. By opening missions in the five capitals, providing substantive development aid and technical support, several Prime Ministerial visits and cooperation agreements in diverse fields, India evolved its "extended neighborhood" policy but somehow it could not transcend its nostalgia for Soviet times.

While Pakistani diplomacy in the region throughout the 1990s aimed at averting India's reach to Central Asia, India was compelled to tread with caution lest the spread of Islamic fundamentalism and the Pakistani exploitation of the regional environment become detrimental to India's interests. India supported a number of regional initiatives including India-Iran-Turkmenistan tripartite railway-line

¹ In the ancient Indian literature the land beyond the Himalayas from Pamir up to Arctic was described as *Uttara-Kuru*. Radha Kumud Mookerji citing Vedic literature mentions about countries *Uttara-Kuru* and *Uttara-Madra*, the ruler of which was known as *Virat* (see: *Fundamental Unity of India*, Hindustan Cellulose & Paper Co. Ltd. Bombay, 1954; see also: B.B. Kumar, "Central Asia: The Indian Links," *Dialogue*, Vol. 3. No. 4, April-June 2002).

project which provided Central Asia a direct land route access to the Persian Gulf.² This rail link, commissioned in 1997, is for various reasons yet to bear full fruition. Notwithstanding the political

Table

India's Trade Relations with Central Asian States (US\$ Million)

Country		2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Kazakhstan	Export	50.08	45.70	46.88	74.81	79.40
	Import	14.04	7.39	12.73	9.26	15.35
	Total Trade	64.12	53.09	59.60	84.07	94.75
	%Growth		-17.19	12.26	41.05	12.70
Uzbekistan	Export	9.39	6.53	5.08	15.14	19.66
	Import	10.58	17.27	20.54	27.70	29.43
	Total Trade	19.98	23.80	25.62	42.84	49.08
	%Growth		19.14	7.63	67.22	14.58
Kyrgyzstan	Export	17.59	10.97	14.67	38.20	49.10
	Import	4.43	0.56	0.47	0.54	0.62
	Total Trade	22.02	11.52	15.13	38.74	49.72
	%Growth		-47.67	31.31	156.05	28.33
Tajikistan	Export	3.55	1.22	8.65	4.47	6.25
	Import	0.54	1.34	0.08	3.95	3.98
	Total Trade	4.10	2.56	8.73	8.42	10.23
	%Growth		-37.47	240.69	-3.54	21.49
Turkmenistan	Export	2.71	4.35	10.29	19.21	14.63
	Import	1.12	1.95	5.40	9.34	10.69
	Total Trade	3.83	6.30	15.70	28.55	25.31
	%Growth		64.26	149.31	81.86	-11.35
Region	Total Trade	94.05	97.27	124.78	202.62	229.09

Source: Department of Commerce, Export Import Data Bank, Countrywise, Ministry of Commerce, New Delhi.

² See: P. Stobdan, "Regional Issues in Central Asia: Implications for South Asia," *South Asian Survey*, Vol. 5, No. 2, 1998 (Sage Publications, New Delhi).

goodwill, India has not been able to make commercial progress in Central Asia or has achieved significant stakes in region's strategic mineral and energy resource. India's total trade with the region is only about \$230 million (see the table). The recent failure of bid for PetroKazakhstan by OVL-Mittal combine only reinforced the impression that India lacks a clearly defined Central Asia policy. Influential circles feel that India's policy is directionless, uncoordinated, unfocused and devoid of an overall strategic intent.³

Regional Power Game

The region is increasingly becoming a recurring subject of geopolitical and economic significance for regional and global players. The post 9/11 systemic has particularly entailed major powers seeking military presence and a share in energy concession in the region. U.S. activism in the region has invited responses from Russia which considers the area as its traditional sphere of influence. Together with China, Russia is doing everything possible to blunt the U.S. influence in the region.⁴ It is time that India gears up to seize the opportunities in Central Asia and replay its historical role.

China is using the Shanghai Cooperation Organization (SCO) as a linchpin for its energy policy. Russian and Chinese oil giants are winning long-term energy contracts. Following the Chinese giant CNOOC's failed attempt at acquiring Unocal last year, Beijing is on the lookout for major takeover targets in Kazakhstan. Recently commissioned 988-kilometer-long Atasu-Alashankou pipeline will pump 10 million tons of Kazakh crude to China every year. Kazakhstan and China has also mulled cross-border gas pipeline connection. The sale of PetroKazakhstan to China was technically a commercial deal, but geopolitics certainly factored pushing India's ONGC away. China is going to win many more upstream opportunities in Kazakhstan in the longer term.

The Chinese and Russian assertion comes against the backdrop of the crises in Kyrgyzstan (March 2005) and Uzbekistan (May 2005). Moscow and Beijing supported Tashkent's accusation that the events were engineered by U.S. and Western sponsored NGOs. This provided the SCO an opportunity to issue dateline in July last to quit on the U.S. airbase in the region. Tashkent especially told Washington to leave its Karshi-Khanabad air base in 180 days.⁵ The Russian military has already returned to its old garrisons in Kyrgyzstan and Tajikistan. Moscow has recently secured military agreement with Uzbekistan as a major ally and China, by committing \$6 billion in aid, has rescued Uzbekistan from its difficulties since the Western support ended after the Andijan crisis.⁶

In response, the other powers notably Japan, EU and U.S., which lack access to the region, seek deepening of regional integration within by committing investment and aid for developing infrastructure, transport and energy networks. The idea is to lessen dependence on exports and instead create a regional market. The U.S. recent decision to club Central Asia with the Bureau of

³ See: P. Stobdan, "Central Asia and India's Security," *Strategic Analysis*, Vol. 28, No. 1, Jan-March 2004.

⁴ On 5 July, 2005, the SCO issued a declaration calling for the United States to set a timeline for its withdrawal of military forces from the region (see: *Kommersant-Daily*, 5 July, 2005; see also: [http://www.sectsc.org/news_detail.asp?id=649&LanguageID=2]).

⁵ On 29 July, Uzbek President Islam Karimov informed the United States that it has 180 days to vacate the Karshi-Khanabad air base it has used to support operations in Afghanistan since late 2001.

⁶ Uzbek President Islam Karimov visited China in May end 2005. It was his first trip abroad since the bloody crackdown on protesters in Andijan. Beijing announced that it "strongly" backs Uzbekistan's response to the events of 13 May. Uzbek opposition parties said around 1,000 people died after security forces opened fire on protesters. Uzbek authorities say 169 people—troops, civilians, and militants—were killed in the clashes. China and Uzbekistan signed a \$600 million joint oil venture during his visit (see: *People's Daily* and [<http://www.rferl.org/featuresarticle/2005/5/8AEC6277-B0A6-450A-8E08-CBCE0B4688B2>]).

South Asian Affairs certainly reflects the new geopolitical thinking. It indicates that U.S. will pursue a policy of disentangling the region from the Russian and Chinese fold and instead work toward reviving the historic links between Central and South Asia. The focal point of this is to locate Afghanistan in an enduring regional framework. It may also create a constructive basis for Indo-Pak cooperation. U.S. officials expect India to be the linchpin of this policy and work for mitigating the SCO's influence.⁷ The U.S. unveiling of a strategic partnership with Kabul and its support for Afghanistan's entry⁸ into the SAARC plus Washington's own desire for an observer status in the SAARC points to the beginning of a new interlocking process underway.⁹ However, critical to this would be Pakistan's willingness to offer transit facilities. General Musharraf has been talking about Pakistan's potential role of a trans-national transport bridge. Islamabad is beginning to see the benefits, both economic and political, of playing bridge role in reshaping the landscape involving South Asia, Afghanistan and Central Asia. Similarly, Hamid Karzai too advocates a tri-polar structure for economic cooperation and to access Central Asia.¹⁰ All three stand to gain especially by stimulating the energy field.

Central Asia Plus India: New Framework for Dialog

Given the new strategic situation and recognizing the expanding role of Central Asia and Caspian on the world energy scene, it is imperative for India to define its goal clearly and devise a meaningful response. It may mark the beginning of a new policy outlook toward the region.

A rising and confident India should launch a new policy initiative in the framework of **Central Asia + India** to raise the current level of bilateralism to a greater regional dialog on an institutionalized basis. This must be qualitatively a new step. While the cultural and technical exchanges and similar image-building activities must continue, India must look at the hard reality and concretize our multifaceted goals.

The new policy outlook could do well if India emphasize less on finding a common cause with Russia or Iran, and instead recognize the hard reality of envisioning a partnership with China, Pakistan and Afghanistan on the region. Such an approach will complement India's economic integration process with South, West and Southeast Asia. Besides, it will generate regional stability and promote closer India-Central Asia cooperation in regional and international fora.

The policy outlook should seek to offer a new orientation of what India could offer to the otherwise West and Eastward looking Central Asia. India needs to articulate persuasively

- i) The techno-economic-security potential of India, which could be accessed in a cooperative, mutually beneficial partnership,
- ii) India's modernizing and stabilizing influence, its liberal-democratic values, building civil societies, managing pluralistic structure and ethno-religious harmony,

⁷ India has important role in Central Asia (rediff.com) [<http://specials.rediff.com/news/2006/mar/29sld1.htm>]. Ambassador Richard Boucher, who replaced Christina Rocca as the new Assistant Secretary of State for South and Central Asian Affairs, said the expanded bureau with the addition of Central Asia, has opened up new opportunities and that India has a "very important role to play" in this region.

⁸ The SAARC leaders on 14 November, 2005 admitted Afghanistan as a full member of the South Asian regional body. Besides, China and Japan got "observer status" to the SAARC.

⁹ In May 2005, President Bush and President Karzai jointly announced creation of a Strategic Partnership between the United States and Afghanistan, with the mutual goals of enhancing the long-term security, democracy and prosperity of Afghanistan.

¹⁰ "Afghan President Hamid Karzai during His Visit to New Delhi on 9-10 April Called for a Tri-Polar Structure for Economic Cooperation," *Hindustan Times*, 10 April, 2005.

- iii) The need for an inter-dependent «energy community» of suppliers and consumers, as their desire for diversifying energy export routes corresponds with India's quest for diversifying imports,
- iv) Willingness for a partnership in setting up downstream production facilities instead of exporting raw materials out of the region through expensive pipelines,
- v) India's for them will also be a countervailing factor vis-à-vis China.

Central Asia + India dialog process would complement the objectives of other organizations like the SCO, the Eurasian Economic Community (EEC), the Central Asian Regional Economic Cooperation (CAREC) and others. The EU and Japan have already instituted schemes for regional integration.¹¹ Moreover, it will complement the wider Asian economic integration process currently underway through the multilateral institutions of cooperation.

While complementing the objectives of others, India's initiative may also play a positive role in moderating their aims. The SCO is indubitably expanding beyond Central Asia, but it may face several challenges ahead, such as:

- i) the SCO's current popularity is mainly related to shared perception on internal insecurity (threat to regimes). China and Russia are pursuing a regime security policy,
- ii) the atmosphere of lurking suspicion in the region may get wider with Pakistan and Iran joining as observers,
- iii) Iran's future, Pakistan's role and the Afghan instability could pose several challenges. Pakistan's proliferation activities and the possibility of WMD falling into the hands of fundamentalists could cause serious concern,
- iv) fervent anti-U.S. stance will impede the SCO, and if it shapes into any politico-military alliance, Mongolia could opt out of the organization,
- v) prospect for a strong opposition upsurge in Uzbekistan in the medium term, with the Western support, should not be ruled out. India's engagement with the Uzbek regime requires a closer attention.

India's initiative could provide an abstemious effect on the overall regional configuration process, something that Central Asians desire, but to be realistic, India cannot match the leverages enjoyed by Russia and China, which are more intrinsic in terms of security interest, ideological convergence and economic complementarity. However, India stands to gain a greater say in the SCO by addressing particularly the security issues including terrorism. Our approach should contrast the policies of Russia and China that insist on maintaining the status quo against the desire for a gradual change. If the trend of limiting the influence of the U.S. and EU continues, India will have a greater role to play in moderating the developments to ensure that the SCO does not shape into a military bloc which will be detrimental to regional peace and security, especially for the Afghan reconstruction efforts.

India's initiative must factor the regional underpinnings. It must include rebuilding of Afghanistan. The improvement in the Kazakh-Uzbek relations is a positive sign. Both desire Afghanistan's integration into Central Asian economic space. Afghanistan's entry into the CAREC,¹² SAARC,

¹¹ "The Growing Importance of Japan's Engagement in Central Asia," available at [http://www.pinr.com/report.php?ac=view_report&report_id=442&language_id=1].

¹² The Central Asian Regional Economic Cooperation (CAREC) Program is an ADB-supported initiative to encourage economic cooperation in Central Asia that began in 1997. The primary objective of the CAREC Program is to promote economic growth and raise living standards in its member countries by encouraging regional economic cooperation. The Program concentrated on financing infrastructure projects and improving the region's policy environment in the priority areas

and creation of SCO-Afghanistan Contact Group¹³ would have positive influence for stabilizing Afghanistan.

India's initiative must also include the factor of impeding any possible role by U.S. or Pakistan to ever become arbitrator of future changes, singly or jointly, in Central Asia, particularly in (a) restricting the SCO's influence, (b) infusing Islamic fundamentalist tendencies for the long term containment of Russian, Indian or Chinese influence. NATO's entry into Afghanistan, which is rather in proximity to J&K, is another factor that needs monitoring. While India foresees no real differences with U.S. policy in the region, it calls for continuous caution that America refrains from establishing cohabitation with the Islamic forces.

The region is likely to remain fluid in its orientation for quite some time to come. Though the countries necessarily remain sensitive to their relations with Russia and China, they have shown tendencies to fluctuate regularly along with their interests and vulnerabilities. India's potential role of playing the balancer is well recognized. It is a fact that India enjoys a ready psychological acceptance in the region, as compared to the utter distrust felt toward China.

Need for a Look-North Policy

Central Asia + India initiative needs to be framed in a broader context and should be consonant with our Pakistan and China policy. India needs to trace its steps with deliberation as it prepares to engage with this region in a closer manner. The exposure of Jammu and Kashmir must become part of the initiatives. This can be done by rediscovering the lost instruments and re-launching our frontier diplomacy beyond the Himalayas. India needs to factor Xinjiang-Uighur Autonomous Region (XUAR) in our Central Asia calculus. XUAR is centrally located in the Eurasian continent. It has border with Kazakhstan, Russia, Mongolia, Kyrgyzstan, Tajikistan, Pakistan, Afghanistan and India. XUAR directly borders with the J&K. In fact, India was a legitimate Central Asian player until the 1950s. India had a Consulate in Kashgar and an active trade corridor existed across Ladakh-Xinjiang frontier. Today the dynamics within the SCO and China's "go-west" mentality is transforming both Tibet and Xinjiang as a major hub of trans-Asian and trans-Eurasian economic activity to promote regional cooperation. It has built 16 Class A and 11 Class B ports. India should aim at joining the network while making J&K as a springboard for India's entry into the region.¹⁴ The process could inevitably spur economic prosperity, as well as help diminish the current level of political standoff in the state. Certainly, such a step risks J&K's exposure to China with security implications. However, in return India stands to gaining access to China's equally vulnerable Xinjiang province where the Uighurs share closer affinity and warmth with Indians than with the Chinese.

of transport, trade facilitation, trade policy, and energy. The Program consists of ADB's member countries in the Central Asian region, namely: Afghanistan, Azerbaijan, People's Republic of China (focusing on Xinjiang-Uighur Autonomous Region), Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan and Uzbekistan. CAREC is also an alliance of multilateral institutions comprising Asian Development Bank, European Bank for Reconstruction and Development, International Monetary Fund, Islamic Development Bank, United Nations Development Program, and World Bank. Afghanistan participated for the first time in the Ministerial meeting of the CAREC in Bishkek in November 2005, available at [<http://www.mof.gov.af/english/CAREC.htm>].

¹³ Protocol on establishment of SCO-Afghanistan contact group between Shanghai Cooperation Organization and Islamic Republic of Afghanistan was established with the purpose of elaborating proposals and recommendations on realization of cooperation between the two on issues of mutual interest. It was signed on 4 November, 2005 in Beijing, available at [http://www.sectsc.org/news_detail.asp?id=649&LanguageID=2].

¹⁴ See: P. Stobdan, "India-China Cooperation in Central Asia: Evolving a Look-North Policy," *Security and Society*, Center for Strategic and Regional Studies, University of Jammu, Vol. 2, No. 1, Summer 2005.

This aspect needs to receive adequate attention possibly in the SCO forum. The Chinese, seeing the economic interests, will not be averse to cross-border trade. The Governor of XUAR, during his visit to India proposed to start flights from Urumqi to Delhi.¹⁵ The matter needs to be pursued further since India's air connectivity to landlocked Central Asia needs to be improved considerably. The re-opening of Indian Consulate in Kashgar, which was closed in the mid 1950s, should get consideration. India's primary geopolitical purpose should indicate not containment of China or any other power but to promote regional cooperation. This will alter the self-defeating and zero-sum approach to regional polity.

II

Building a Strategic Partnership with Kazakhstan

Uzbekistan, undoubtedly, is the key to Central Asia's overall regional dynamics; it is Kazakhstan that should deserve our immediate attention. The country, largest in Central Asia, is of key interest to every major world power. It has emerged as the most prosperous, most stable, most secular (despite Muslim majority population), most free economy and most democratic in the entire post-Soviet space. Kazakhstan is progressively expanding its influence on the regional and global level. The following highlighted points deserve attentions:

Geostrategic Significance

Kazakhstan occupies a pivotal space in the heart of Eurasian continent, covering 2.7 million square kilometers (90 percent of India's size and world's ninth largest state) and has a population of only 15 million people. It is strategically located between Russia, China and unstable Islamic states. It is a converging point of Western, Chinese and Islamic civilization.

A Key Energy Supplier

Kazakhstan's potential oil reserves are on a par with Kuwait that will make it the world's major alternative energy supplier in the next 10 years.

- **Current Oil Reserves:** 35 billion barrels (twice as much as the North Sea);
- **Projected Reserves:** 100-110 billion barrels by 2015 (*would be in World's top 3*);

¹⁵ The governor of Xinjiang, Ismail Tiliwaldi visited India in October 2004 to promote investment and bilateral interaction with India. Though largely ignored by the Indian media, the visit was of some significance—evidence of the deepening relationship between India and China. It is the first time in several decades that a leader from Xinjiang has visited India. Vibrant trade relations between India and Xinjiang date back centuries. Tiliwaldi's visit focused on economic issues. It was decided with the Confederation of Indian Industry to study the feasibility of laying a natural-gas pipeline from Xinjiang to India. Tiliwaldi expressed interest in a land link with India. India and Xinjiang have identified four areas for potential cooperation—agriculture and food processing, traditional medicine and herbs, energy and oil production, and tourism.

Energy Pipelines



- **Current Gas Reserves:** 2 trillion cubic meters;
- **Projected Gas Reserves:** 5 trillion cubic meters by 2015;
- **Production:** 61 million metric tons a year, 150 million metric tons by 2015.

Strategic Minerals/Assets

- Third-largest producer of uranium, after Australia and Canada. Extracts 4,360 tons annually, 15,000 tons by 2010 to make it the world's largest supplier. *China's National Nuclear Corp. (CNNC) has a 30 percent stake in Kazakhstan's KazAtomProm Company;*
- Second largest phosphorus reserves;
- Second largest copper ore reserves;
- 31.8 billion tons of proven coal reserves;
- 9.1 billion tons proven & 15.4 billion tons of potential iron ore reserves;
- Exports 80 percent of oil, 90 percent of minerals and 50 percent of gas;
- Among the world's five largest grain exporters;
- **Baikonur** cosmodrome launched more than 1,100 space vehicles, tested over 100 ICBMs. A new complex **Baiterek** is being developed for space tourism. **Semipalatinsk** conducted over 500 nuclear test explosions; enriched uranium plant at **Ust-Kamenogorsk**; rapid neutron reactor site in **Aktau**; large stock of ICBMs and nuclear warheads until 1996;
- Likely to get the OSCE Chairmanship in 2009.

Economic Miracle

In a short time, Kazakhstan has become not only a regional but a global economic force. Its early introduction of privatization and macroeconomic reforms plus the abundant natural resources have attracted foreign investments of \$42 billion so far. It is already a leading oil producer and exporter. The economy has been robust and per capita GDP has more than tripled since 1999 to \$3,700 and expected to increase to \$9,000 by 2012. The GDP is likely to double roughly every seven years that will allow Kazakhstan to overtake the levels of many wealthy countries.¹⁶ The country has maintained a high growth of roughly 10 percent since 2001. It has a successful and credible financial and banking sector (third largest bank assets in the CIS). It has a vast agricultural and industrial base and plans to diversify the economy beyond the energy sector. Industry would share 40 percent of GDP by 2010. The country plans to spend \$3.3 billion into the agricultural sector. The country is looking up and it is already becoming the envy of its neighbors.

Stabilizing Influence

Kazakhstan is a factor of regional stability. Its Constitution proclaims adherence to democratic and secular system, rule of law and rights to individual freedom. A unitary state with presidential form of government, it follows separation of power into legislative, executive and judicial branches. The country shares a strong affinity with India in recognizing ideological, political, linguistic and ethnic diversity. It promotes harmony among over 100 nationalities. Ethnic Kazakhs form less than 50 percent of country's population and 34 percent is ethnic Russian. Despite skepticism, Nazarbaev's proved adept in containing internal ethnic dissension and forestalling a civil war, which was not an unimaginable looking at what happened in similar circumstances in the Caucasus and the Balkans.

Kazakhstan had the world's fourth largest nuclear arsenal. Semipalatinsk was the world's second-largest nuclear complex where nearly 500 nuclear tests were conducted. Kazakhstan became the first state in history to opt for voluntary nuclear disarmament. Since 1996 it adheres to the international safeguards regimes and enacted a strong legislation for export controls.

Kazakhstan plays the anchor role in the region often threatened by extremist forces. Nazarbaev has initiated several dialog processes for security cooperation, including the U.N.-backed Conference on Interaction and Confidence Building Measures in Asia (CICA). India as one of the founding members ardently supported the CICA process. He has also initiated an Inter-faith Dialog to create confidence among societies.¹⁷ Nazarbaev's recent proposal for creating the Union of Central Asian States (UCAS) aims at strengthening regional integration by enhancing cultural ties, creating common market and combating common threats. Nazarbaev fears that the "failing state" syndrome in neighboring Uzbekistan and Kyrgyzstan could adversely impact Kazakhstan's development plans. He has lately embarked on a major diplomatic move to cuddle the neighbors for integration so that the political risks could be reduced.¹⁸

¹⁶ Since the start of 2005, Nazarbaev has spoken repeatedly about his aim to transform Kazakhstan into one of the "50 most competitive, dynamically developing countries in the world" within the next decade (*RIA Novosti*, Astana, 21 November, 2005). The most recent occasion came on 5 April, 2006 during a speech to the Russian State Duma. Nazarbaev told Russian MPs that average GDP growth over the past five years was roughly 10 percent, adding that the country aims to significantly accelerate growth. If all goes according to plan, Kazakhstan would achieve 350 percent growth by 2015 over the 2000 GDP level (see Nazarbaev full speech).

¹⁷ [<http://www.khabar.kz/eng/>].

¹⁸ See: G. Saidazimova, "Uzbekistan-Kazakhstan Summit is a Sign of Changing Times," *A EurasiaNet Partner Post from RFE/RL* 18 March, 2006.

The country is an indispensable ally in the struggle against Islamic terrorism and called for a unified global strategy in fighting terrorism; initiated several domestic measures to combat terrorism, including the accession to all twelve U.N. counter terrorism conventions, and organized the Fourth Meeting of the U.N. Counter-Terrorism Committee (2005).¹⁹

Stable Regime with Strong Leadership

Elections in December 2005 returned Nursultan Nazarbaev for a further seven-year term with over 90 percent of the votes. This confirms his dominant position in the Kazakhstan's politics. He has allowed a strong opposition and a free press besides rigorously holding international election standards. Most analysts view Nazarbaev simply unbeatable and that any popular Color revolution, as experienced by Ukraine, Georgia and Kyrgyzstan, is not inconceivable. The U.S. reacted with surprising softness to Nazarbaev's style of democratic practice and in fact it views Kazakhstan as a potential democratic model in the region. Obviously, the reason is more to do with the irresistible geopolitical charms that Kazakhstan offers. That is why; Washington viewed the election as a glass half full, instead of half empty.

Central Asian Machiavelli

Nazarbaev has emerged as the most charismatic and shrewd politician who has managed to steer major economic and diplomatic success. He is being applauded for transforming the country, known until recently as a dumping ground for Soviet prisoners, gulag camps, and nuclear tests, into a most sort after modern state with booming economy. Nazarbaev's adept foreign policy is being attributed mainly for the country's rising profile. He has been advocating the "Eurasia" concept and pursued a "multi-vector" policy to play major powers against each other, while, at the same time, engaging each of them in the energy competition. Kazakhstan has sought association and interests in both Eastern and Western organizations through membership in the SCO, CSTO, NATO, OIC, OSCE and others. For more than a decade now Nazarbaev, notoriously characterized as a sly fox in dealing with major powers, has skillfully scored the balancing game.

Nazarbaev recognizes multiple advantages of keeping good relations with Russia and has never abandoned its pro-Russian stance. Russia and Kazakhstan enjoy multifaceted cooperative relations ranging from space, energy and military to agriculture. Nazarbaev advocates a Moscow-led Eurasian Union for a free-trade zone to include Russia, Belarus and the Central Asian states. He keeps the option open to boost the existing oil export volume through the Caspian Pipeline Consortium (CPC) which will essentially challenge the U.S. backed Baku-Ceyhan pipeline. Russia's LUKoil alone has invested about \$3 billion in Kazakhstan's energy projects in the recent years.

Nazarbaev has lately turned to China to sale energy.²⁰ Beijing has invested over \$2.6 billion in Kazakhstan's oil sector since 1997. In 2005, China won a \$4.18 billion takeover of Petro-Kazakhstan Inc. defeating India's bid. The completion of the 3,100 kilometers pipeline will eventually carry 20 million metric tons of oil every year, to fulfill 15 percent of China's oil needs. The

¹⁹ [<http://www.kazakhembus.com/LinksandContacts.html>].

²⁰ See: "Sino-Kazakh Strategic Partnership Set Up," *China Daily*, 5 July, 2005 (see also: *Xinhua*, 6 July, 2005).

new pipeline by implications could foster faster Chinese commercial interests in the whole of Central Asia.

The Kazakh threat perception also includes the possible fallout of an Indo-Pak nuclear conflict. However, relations with two countries and also with Iran are being kept close in conformity with its multi-vector foreign policy. Kazakhs also remain apprehensive about any possible Russia-China-Iran-India alliances which may reduce the U.S. maneuverability.

Nazarbaev's multi-vector policy has also skillfully courted U.S. and maintains a substantive strategic partnership that helps contain the dual Russian and Chinese threats. Kazakhstan prizes its Islamic heritage and relations with Islamic world remain high on priority. However, it is extremely wary of Islamic fundamentalism. The country became first in the region to offer the U.S. landing rights after 9/11. Kazakhstan maintains important military-to-military relationship with the U.S. Despite being a Muslim majority state, it was the only country in Central Asia to have contributed troops to Iraq to help with de-mining and restoring water supplies.

The U.S. discourages Kazakhstan using the Russian or Iranian routes. The centerpiece of U.S. policy has been to promote the east-west Baku-Ceyhan pipeline that includes Turkey but excludes Iran. Nazarbaev, in principle, has agreed to take part in it; however in the current scheme of things, he remains cool toward Washington. But this is typical of Nazarbaev's diplomacy. He seeks political admiration and wants U.S. to play geopolitics with him. Inter alia, speculations include Kazakhstan gaining new importance with Uzbekistan fallen out of U.S. favor (U.S. closed its airbase in Uzbekistan on 22 November, 2005). Kazakhstan's role is expected to become crucial in any future U.S.-led invasion of Iran. Lately, Kazakhstan hosted the visits of U.S. Secretary of State Condoleezza Rice, Energy Secretary Samuel Bodman and Agriculture Secretary Mike Johanns, as well as former President Bill Clinton and numerous congressional delegations. Rice described Nazarbaev as "a reformer and agent of change" and that Kazakhstan should take "a leadership role" in the region. She said, "Kazakhstan is poised and ready to break a path for a new Silk Road, a great corridor of reform... A strong and prosperous and democratic Kazakhstan will once again energize the global transmission of learning, and trade and freedom across the steppes of Central Asia. This nation has a glorious past and it is destined for a hopeful future. Kazakhstan's greatest days lie ahead of it. And the United States wants to be your partner." The U.S. recognizes the recent setbacks and as such it may think seriously about making a major diplomatic effort to regain the clout. Given the kind of stakes in the energy contest and the U.S. strategic interests in the region (proximity to China, Russia and the Islamic world) the possibility of a high level visit from the U.S. to Astana in the near future should not be ruled out.

Similarly, without hurting Russia and China, Kazakhstan enjoys partnership with the NATO and EU. An individual partnership plan with NATO envisages a mutually beneficial military-technical and political cooperation. For EU, energy security tops its agenda. The Caspian potential prospective particularly galvanizes EU's attention for a strong Euro-Kazakh partnership. The EU also eyes for steel industry, nuclear safety and nuclear-fusion research in Kazakhstan. European majors are active in the region and the EU is Kazakhstan's second-largest trade partner. In this energy game, Kazakhstan accepts American radars to monitor the Caspian Sea security. While its integration with EU is a long way off but the two shares a sense of geopolitical continuity and most importantly common values and shared perception on security and environmental issues. Kazakhstan strives for chairing the OSCE in 2009.

C o n c l u s i o n

Profound changes have taken place in Central Asia following Russia's membership into the CACO (2004), the forging of a Sino-Kazakh Strategic Partnership (2005), and more significantly, SCO's

assertion (strengthened by new observer states Iran, India and Pakistan) for U.S. military rollback from the region.

As an emerging power, India ought to be taking note of the fast changing strategic scenario in this vital region. While India defines its goal in Central Asia, it needs to take the potentials of Kazakhstan very seriously. During the past few years, bilateral relations between India and Kazakhstan have acquired a dynamic character with the increase in economic, political and cultural contacts. Kazakhstan shares close affinity with India in terms of political and economic commitment, shared values of secularism, democracy and plural structure. Both share full commitment to fight against terrorism and the Joint Working Group (JWG) on counter-terrorism could form the basis for cooperation in the SCO. Nazarbaev's plans for regional integration are similar to those of India, as well as in conformity with the process currently underway in Asia for the creation of the Asian Union. All these shared values plus the imperative for cooperation in energy field should become the cornerstone of India's partnership with Kazakhstan.

Bilateral Indo-Kazakh trade has reached to \$95 million but falls short of available potential. Indian entrepreneurs should take advantage of its free market regulations and a stable government. Opportunities are plenteous in areas such as modernization of refineries, services exports, pharmaceutical, IT software, biotechnology, banking, health and education services, defense industries, agriculture farming, textile etc. Like the Chinese, India should seek agriculture land on lease from Kazakhstan for commercial agriculture farming. The country has a number of the Soviet-time industrial units either lying abandoned or underutilized. Lakshmi Mittal's Midas touch on *Karmet* steel plant in Temirtau is a glaring example for what India could emulate at a bigger scale. India should tap its abundant mineral resources once the International North-South Transport Corridor is completed.

A meaningful Indo-Kazakh partnership should include cooperation in stabilizing Afghanistan. The improvement in the Uzbek-Kazakh relations is a good sign and it should help India to pursue a substantive goal in the region. The issue requires high consideration.

Like others, Kazakhstan is inclined to look after its own interests than those of any organizations engage it. However, it needs to be underlined that the Soviet legacy of thinking through a structured framework continues to dominate the mindset. Nazarbaev's achievements and popularity instills in him a sense of worth and as such seeks political recognition. It was not commerce but politics that decided the PetroKazakhstan deal in favor of China. Nazarbaev has never been opposed for giving India a favorable strategic presence in offshore projects but for New Delhi's reluctance in playing its potential cards assertively. Nazarbaev makes it clear that only those will have access to Kazakhstan's energy resources, uranium mines and mineral deposits which are willing to play his geopolitics. The matrix of Indo-Kazakh relations already is rich—it is essential that they be translated into a framework and given a strategic dimension.

The above-mentioned imperatives should demand the followings:

- i) Taking a cue from Premier Hu Jintao and President Putin, Prime Minister Manmohan Singh should visit Astana and propose for signing a Strategic Partnership with Nazarbaev which will make Kazakhstan the linchpin of India's policy goals in Central Asia. Prime Minister, during the CICA Summit-2006 in Astana should lay the ground framework for such a partnership.
- ii) It is time that India extends an invitation to a Central Asian leader to be the chief guest for the Republic Day celebration 2007. This gesture will surely go as a mark of our respect to the Central Asian independence which is still at a nascent stage. Nursultan Nazarbaev is the most appropriate leader to be the Chief Guest for the 2007 Republic Day celebration.
- iii) The year 2006 marks the 50th anniversary of the official visit of Jawaharlal Nehru and Indira Gandhi to Kazakhstan. Their visit in 1955 had left a deep imprint about India in Kazakh-

stan. Soon after her visit, thousands of girls born were named after Indira. Indira is now Kazakhized and it is a symbol of pride and power of women in Kazakhstan. It would be in the fitness of things to pay a visit by senior officials to Kazakhstan during this year which will provide a big boost to the Indo-Kazakh relations.

- iv) It would also be useful to resuscitate, by way of commemorating Mirza Muhammed Haidar Dulati (1500-1551), who was the Kazakh icon in Indian history and the Governor of Kashmir under the Mughul emperor Humayun.²¹ The Kazakhs have resurrected Haidar Dulati as their national hero. Dulati is an important reference value and a symbol of old linkages between India and Kazakhstan.

²¹ See: P. Stobdan, *India & Kazakhstan: Civilizational Explorations*, Heritage Publication, New Delhi, 2003.

ETHNIC RELATIONS

**DE FACTO STATELESS:
THE MESKHETIAN TURKS**

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This paper proposes to examine the present sociopolitical conditions of the Meskhetian Turks living in the Krasnodar Territory of the Russian Federation. As an ethnic minority in a country that has seen a rise in levels of xenophobia and racism against “the other,” the Meskhetian Turks have survived primarily as squatters, having been denied basic human rights in a land they have inhabited for years. By a description of their history, their unique link to the territories they occupy, and the various forms of discrimination they face, I hope to prove that the Meskhetian Turks are, in fact, a *de facto* stateless group suffering from grave violations of freedom and survival inflicted by a majority population.

The plight of the Meskhetian Turks is a topic worthy of discussion today, not only because ethno-religious conflict levels have increased significantly the world over during the past few

decades, but also because human rights abuses against vulnerable groups such as refugees, migrant workers, and “foreigners” have escalated at an alarming rate. The need for international legal *and* physical safeguards for the Meskhetian Turks must be emphasized—if the hardships faced by vulnerable sections of society are not examined and reported, the global community remains unaware of the gravity of such situations, and no international/national efforts can be made to intervene and prevent such abuse. One of the cornerstones of the international political framework is the belief that human rights should be protected everywhere, and that *all* humans have a right to dignity and freedom. This foundation is now being questioned, and criticism arises as to how nations and international organizations can talk of “cooperation” and “social and political advancement” if (many) such minority groups continue to be persecuted.

Racial Discrimination in Russia

It would be useful to examine some of the ideas held by many Russians today regarding what constitutes an “ethnic Russian” and the Russian nation. In examining such beliefs, the current situation of the Meskhetian Turks can be portrayed in its proper context.

Ethnic violence has been a volatile and relatively constant problem in Russia. Foreigners whose ethnicities are visibly different from the “average” Russian are being increasingly targeted as objects of hatred. Moscow and St. Petersburg have seen an increase in the number of ethnically motivated attacks on foreigners by skinheads, anti-Semites and similar extremist groups. Even amongst average Russian citizens not members of such groups, resentment lurks close to the surface, as foreigners are viewed as “stealing” local jobs and increasing crime rates.

A wide-held belief before the break-up of the Soviet Union was that the multi-ethnic nature of the former U.S.S.R. encouraged a high degree of assimilation that acted as a safeguard against racial prejudice. In the prerevolutionary period, racist themes in nationalism were only seen in extreme right-wing groups such as the Black Hundreds,¹ but saw a comeback in the 1960s and 1970s at the behest of certain Russian intellectuals who believed that of all the Russian republics, the Russian Soviet Federative Socialist Republic (R.S.F.S.R.) was being the most exploited. Scholars of the time argued that nations were the result of biological rather than social phenomena, but such ideas did not really come into the public eye until the period of *glasnost*, when they resurfaced with a vengeance. Racist propaganda increased in the post-communist era, with many of its advocates claiming that Russians needed to safeguard themselves from the dangerous influences of other *ethnoses*² and elect only people with “Russian blood” to positions in government.

People from countries of Central Asia (particularly those who are Muslim) have increasingly become targets of racist hatred and are viewed by some as the greatest threat to the survival of the Russians (a position of “threat” previously occupied by the Jewish population). Ethnic violence in Chechnia has allowed Russian nationalist media to embellish a view of Asians (especially Muslims) as bitter enemies of Russia. Groble³ wrote that opinion polls in 2000 indicated that 80% of Russian citizens polled viewed Islam as a “bad thing,” whereas in contrast, only 17% of Russians supported this view in 1992.

According to Tolz,⁴ Russian identity is a largely subjective concept amongst the Russian peoples. Identification with Russia as a homeland and self-identification as a Russian are seen as key characteristics, as are linguistic and cultural affinities. Of less significance is the question of citizenship: yet practical events, as I will demonstrate, do not correspond with this view. One of the main reasons Meskhetian Turks are persecuted is because they are denied national registration, and therefore, Russian identity and citizenship.

¹ Anti-revolutionary, reactionary, anti-Semitic groups formed in Russia during and after the Russian Revolution of 1905 (see: V.I. Lenin, *Collected Works*, Vol. 9, Transl. by A. Fineberg, J. Katzer, Progress Publishers, Moscow, 1972, pp. 200-204).

² Theory of Russian academic Lev Gumilev, author of *Ancient Rus and the Great Steppe*, *The Rhythms of Eurasia*, and *The Geography of Ethnos in Historical Time*, in which he calls for a distinctive Russian “ethnos” based on the geographical region that is Eurasia (see: L.N. Gumilev, *Ethnogenesis and the Biosphere*, 1978, Chapter II, Part II, available at [<http://gumilevica.kulichki.net/English/ebe2a.htm>]).

³ See: P. Groble, “Idel-Ural and the Future of Russia,” *RFE/RL NewsLine*, 17 May, 2000, available at [<http://www.rferl.org/newsline/>].

⁴ See: V. Tolz, *Russia: Inventing the Nation*, Oxford University Press, New York, 2001.

Who are the Meskhetian Turks?

The Meskhetian Turks come from Meskhetia, a mountainous, agricultural region of Georgia located along the border with Turkey. The Ottoman Empire conquered Meskhetia in the sixteenth century, and Turkish rule lasted there for more than two centuries until Russia occupied the region in 1829 (during the reign of Nicholas I). The main administrative centre is the city of Akhaltsikhe,⁵ which is why the Meskhetian Turks prefer to call themselves Akhaltsikhe Turks (“Akhyskha Turkleri” in Turkish). The Meskhetian Turks are Moslem Sunnites. Their native language is Turkish (one of the East Anatolian dialects), and by their specific traditional culture, they are close to the Turks of Anatolia; however, some features in lifestyle and custom show their alliance with the Trans-Caucasian peoples, primarily the Georgians.

During the second half of the twentieth century, the Meskhetian Turks have suffered the calamities of mass deportation and persecution only to become engulfed in the interethnic turbulence that resulted from the collapse of the Soviet Union. Unlike other formerly deported peoples, the Meskhetian Turks have been uprooted not once but twice since World War II. Meskhetian Turk tales of hardship and privation closely resemble those of other formerly deported peoples, including Crimean Tatars, Volga Germans, Chechens, and Ingush. However, Meskhetian Turks stand apart from most other World War II deportees in that they were never collectively accused of a treasonous act.

Stalinist Repression, Deportation and Exile (1944)

Under Stalin’s dictatorship, the Meskhetian Turks, Kurds and Khemsils who lived in the Akhaltsikhe Territory and Ajaria (more than 95,000 altogether) were deported to Central Asia between 15 and 17 November, 1944. It is believed that Stalin’s reasoning for their exile was that there was a need to “clear” a strategically-located region on the Soviet-Turkish frontier of elements suspected of pro-Turkish sympathies, so that Soviet military operations could be extended into north-eastern Turkey. Thousands died en route and thousands more in the harsh living conditions of exile. They were resettled as special immigrants in the agricultural districts of Uzbekistan, Kazakhstan and Kirghizia. The special regime was lifted with respect to Meskhetian Turks only in 1956, following Stalin’s death. They were granted freedom of movement by subsequent government decrees, but in practice, the Meskhetian Turks remained unable to return to their homeland because it had been designated a “border zone,” off-limits to all outsiders. Special residency permits, unavailable to Meskhetian Turks, were required to enter the Meskhetia region. Attempts by Meskhetian Turks to return, even for the briefest of periods, were blocked by Soviet border guards.

⁵ The Akhaltsikhe area includes five administrative regions bordering the territory of Turkey—Adigheni, Akhaltsikhe, Aspindza, Akhalkalaki and Bogdanovka (Ninotsminda from 1991) (see: A. Aydingün, “Ahiska (Meskhetian) Turks: Source of Conflict in the Caucasus?” *International Journal of Human Rights*, Vol. 6, No. 2, 2002, pp. 49-64.

Ferghana Pogrom (1989)

Post-deportation attempts made by Meskhetian Turks to rebuild their lives were shattered by a wave of pogroms targeting them in the Central Asian Republic of Uzbekistan, in 1989. Uzbekistan, specifically the populous Ferghana Valley, was the principal destination for Meskhetian Turk deportees where, by proving to be industrious agricultural producers, they had come some way in overcoming the hardships associated with their internal exile, even attaining a relative measure of prosperity.

The presence of the Meskhetian Turks in Uzbekistan, however, caused resentment amongst Uzbeks, many of whom were being increasingly attracted by nationalist propaganda. Gorbachev's economic and political liberalization policies contributed greatly to hostility against the Meskhetian Turks, and overcrowded conditions and widespread poverty in the Ferghana Valley fuelled interethnic tensions. By May 1989, tension was so volatile that a misunderstanding between an Uzbek and a Meskhetian Turk in a Ferghana market led to a row that sparked countrywide rioting that left approximately 100 people dead. Even more lives and property might have been destroyed if Soviet armies had not been sent to protect and then oversee the enforced evacuation of the Meskhetian Turks. Many of the estimated 70,000-plus Meskhetian Turk evacuees from Uzbekistan now settled in Azerbaijan. Others went to various regions of Russia, particularly the Krasnodar Territory. Still more resettled in neighboring Central Asian states, primarily Kazakhstan and Kirghizia.

Stalin's deportation and the Ferghana pogrom have both placed a great sense of urgency on the Meskhetian Turks' repatriation efforts. Most of them desperately hope to return to their mountainous homeland along Georgia's border with Turkey. However, many Meskhetian Turk leaders worry that as long as the Diaspora remains so dispersed and relatively disorganized, it will face a threat of persecution. These anxieties are exacerbated by the general economic insecurity in the former Soviet Union, where fierce competition for jobs, housing and essential services can easily heighten interethnic tensions. In addition to the physical sense of loss and estrangement from their homeland, the emotional trauma still haunts the consciousness of the Meskhetian Turks; the deportation experience and the struggles associated with it are remembered with great intensity, and stories about the homeland continue to be passed down through generations, ensuring that the drive to rectify the injustices remain strong.

Current Problems

Propiska

The Russian term "*propiska*" means "official residency registration by definite address"⁶ and has been obligatory for Soviet citizens since the 1930s. The U.S.S.R. *propiska*, unlike residency permits needed by foreigners to reside in a certain country, was established and regulated not by law, but by unpublished acts of executive bodies (while permanent residence was determined by Soviet civil legislation as actual residence, without any allusions to *propiska*). The *propiska* could be permitted or

⁶ A. Ossipov, *The Situation and Legal Status of Meskhetian Turks in the Russian Federation*, Moscow Helsinki Group, 2003, p. 2.

refused by local executive authorities or police, thus making it a weapon used by the latter against vulnerable ethnic minorities. Between 1991 and 1992, the permissive *propiska* was found to be unconstitutional,⁷ but is, to a certain degree, still in force because of the restrictive provisions of federal by-laws on registration, repressive regional legislation, and the more or less unchanging Soviet administrative framework.

Thus, the Meskhetian Turks (as well as other refugees from ex-Soviet republics) who settled on the territory of the region before 1992 and who have not obtained registration, are not recognized as Russian citizens. Considered as unregistered “burdens,” they have been refused registration for marriages and houses (officially required) purchased by them between 1989 and 1990. This is highly worrisome in light of the fact that in October 1994, the composition of the group of forced migrants having no registration consisted of 13.1% Russian-speaking migrants, 49.9% Armenians, and 94.8% *Turks*.

Krasnodar authorities have implemented arbitrary and onerous taxation policies that are specifically targeted at Meskhetian Turks, aiming to make their continued residency undesirable. Ossipov exemplified this practice when he wrote of how Meskhetian Turks are required to pay a special tax every 45 days (about \$30, or 5% of the average monthly wage).⁸ In addition, Meskhetian Turks are required to renew temporary residency permits every 45 days, with the fees also costing roughly \$30.

Unemployment

Denied *propiska* (and thus not having a “registered” place of stay), the majority of Meskhetian Turks have been denied permanent jobs. Both the public and private sectors have turned away many Meskhetian Turks looking for work for precisely this reason. This problem is only heightened by the general shortage of jobs, especially in relatively populous regions such as Krymsk and Abinsk. Some Meskhetian Turks find temporary work in the agricultural sector, but regional authorities normally decline solicitations by enterprises that ask for permits to employ unregistered persons.

In 1991, Resolution 97⁹—an attempt to defuse ethnic tensions in the Krasnodar Territory—was introduced to specifically address the situation of the Meskhetian Turks. The Minor Town Councils and regional Soviets of the people’s deputies were recommended to develop a procedure for issuing certificates on the actual (i.e. permanent, unregistered) domicile of the non-registered persons; Internal Affairs organs were ordered to register migrants’ personal vehicles on a temporary basis; and enterprises and organizations were authorized to conclude labor contracts with migrants lacking residence permits for a term not exceeding one year. However, Resolution 97 did not nullify the passport regime, and in some cases, the workers who did not have permanent residence permits were fired following checks by the regional authorities.¹⁰ Meskhetian Turks are also barred from selling vegetables, even from land plots attached to their own houses.¹¹

⁷ In 1992, the Russian constitution directly guaranteed its citizens’ right to travel freely and to choose their place of residence, and in 1993, a federal law was approved on the notifying order of registration of residence and stay.

⁸ See: A. Ossipov, “Starting Ethnic Cleansing in Krasnodar Territory: The Case of the Meskhetian Turks,” *Memorial Newsletter*, No. 1, 20 September, 1997, available at [http://www.memo.ru/hr/discrim/ethnic/ip1e.htm#_VPID_46].

⁹ See: Resolution No. 97 of the Territorial Small Soviet “On Measures to Ease Tension in Interethnic Relations in the Crimea and Some Other Districts of the Krasnodar Territory” of 12 February, 1992, Moscow Helsinki Watch, available at [<http://www.mhg.ru/english/1FD0794>].

¹⁰ In early 1994, as a result of the order issued by the Apsheronsk and Krymsk regions’ administrations, scores of unregistered refugees at a number of facilities lost their jobs.

¹¹ On 23 May, 2002, dozens of Turks were detained at the fields in Anapa district and Novorossiisk, and taken into police custody (Memorial, “Annex III: The Situation of Meskhetian Turks in the Krasnodar Territory of the Russian Federation,” in: *Compliance of the Russian Federation with the Convention on the Elimination of All Forms of Racial Discrimination*, Moscow, December 2002, available at [<http://www.memo.ru/eng/hr/dscr0212e/add3.htm>]).

Education

Information on the educational system, with respect to refugees in the Krasnodar Territory, is limited. The children of the refugees without residence registration (including a large number of Meskhetian Turks) are generally allowed into schools without problems. After graduation, they are entitled to enter vocational training schools but are often blocked access to state trade high schools or higher educational institutes, on account of not having residence registration. Extreme examples have included even denying Meskhetian Turk high school graduates their high school certificates.

Turkish children have faced serious problems in high school (especially between 1989 and 1991) due to their poor knowledge of Russian. Often, schools will segregate schoolchildren, with Slavic children being placed in normal forms while children of Meskhetian Turks, Armenians, Yezidis, Kurds, etc. placed in “correctional classes” (classes for children who have learning disabilities). School and regional authority representatives have defended this method by saying this is easier for refugee children who are not familiar with the Russian language. In addition, the terrible economic conditions of refugees such as the Meskhetian Turks in the Krasnodar Territory have forced many Turkish children to quit school to assist their families financially (especially in the agricultural sector). Some Turkish children have also been removed from schools specifically because of their ethnicity. For example, in May 2002, 18 Turkish children were expelled from a municipal kindergarten in Novoukrainskaia village in the Krymsk District.¹²

Racism, Cossacks and State Complicity

As mentioned earlier in the section on general ethnic tension in Russia, it is not surprising that, as a result of the influx of ethnic minorities such as the Meskhetian Turks, there are official representatives who talk publicly of the need to guard the “ethnic purity” of the region and to resist “Caucasian colonization.” No one exemplifies this racial hatred of the foreigners in the Krasnodar Territory better than the Cossacks,¹³ who work hard at convincing the Slavic population that *they* will soon be the minority; such attitudes are sometimes expressed by region officials as well.

The Cossack movement came into its own between 1989 and 1990, disseminating ideas that were strongly based on Russian nationalistic tendencies, the cult of strength,¹⁴ and rigidity in accepting more modern laws and legislation. Cossack organizations have supported regional policies of patrolling and passport checking, most raids regarding the latter occurring illegally as well as with representatives from the Ministry of Internal Affairs—these unsanctioned searches are accompanied by beatings of and threats against target minorities. According to Memorial,¹⁵ the various arbitrary checks and fines are used exclusively against the Meskhetian Turks and Kurds in the Krymsk, Abinsk and Anapa districts. These groups cannot pay the administrative fines, and local courts quickly seize the property of many Turkish families (including livestock, food, and cutlery).

¹² Ibidem.

¹³ A military class that existed before 1917 and which was the subject of ruthless repression by Soviet authorities.

¹⁴ See: A. Ossipov, “Krasnodar Region: Migration, Nationalism and Regional Rhetoric,” *Caucasian Regional Studies*, Vol. 1, No. 1, 1996.

¹⁵ See: Memorial, “The Condition of Meskhetian Turks in the Krasnodar Territory, February 2004,” available at [<http://eng.kavkaz.memo.ru/analyticstext/enganalytics/id/653693.html>].

District authorities have given Cossacks free reign in engaging in vigilantism, with many law-securing officers also being members of Cossack organizations.¹⁶ It has not gone unnoticed by the Meskhetian Turks that the Cossacks' illegal and violent actions are silently allowed by authorities. The latter often incite conflicts where Meskhetian Turks might play an active role, in order that even harsher measures can be used against them.

Media Contributions to Racist Attitudes

Government monopoly on mass media indicates that it can propagate discriminatory ideas to a wide spectrum of ethnic Russians. Meskhetian Turk leaders have stated that they are denied the right to counter disinformation, and have to sit by helpless as programs are broadcast that are specially designed to incite hatred against their ethnic group and which blame the Turks for all the problems in the region. For example, the newspaper *Novorossiiskii Rabochii*¹⁷ issued an article on 11 February, 2004, which had the title "You are not Welcome Here, Or Why Illegal Migrants Feel So Comfortable in the City," which blamed Meskhetian Turks for taking away local jobs. A local TV channel in Krymsk allowed Cossack activists to go on air stating that all Meskhetian Turks were thieves and criminals who did not belong in the region. Not surprisingly, local authorities did not react.

Other papers talked about Meskhetian Turks robbing and raping Russian boys, of Turk leaders dealing in drugs and illegal arms trade, of Turks evading army conscription and payment of taxes. The message was the same—ordinary Russians suffer as a result. During the resettlement negotiations for Meskhetian Turks in 2004, *Novorossiiskii Rabochii* accused the International Organization for Migration (IOM) and the U.S. of encouraging espionage and ethnic tensions in the Krasnodar Territory. Most of the regional media welcomed the emigration of many Meskhetians to the US, and some even termed it "eviction of the illegal dwellers."¹⁸

Social Services

The medical insurance system that has been gradually introduced in the Krasnodar Territory since 1995 covers only permanent residents or permanent staff employed by enterprises/organizations (where insurance applications are filed by their employers). Consequently, Meskhetian Turks cannot avail of basic medical services that are free to the rest of the population. In May and June 2002, the municipal health clinics in the Krymsk District blatantly refused to grant health care to patients of Turkish origin.

Meskhetian Turks who own cars are subjected to arbitrary and unreasonable inspection requirements. They are allowed to drive for only 45 days at a time between auto inspections, according to a leader of a local Meskhetian Turk organization. This involves spending a great deal of time waiting in lines and inevitably paying bribes to pass the inspection.

¹⁶ This practice was legalized by the Resolution of the Head of Administration of Krasnodar Territory No. 220, dated 19 April, 1994 On Extraordinary Measures with Respect to Struggle with Criminality.

¹⁷ Krasnodar Territory city paper.

¹⁸ A. Ossipov, "Meskhetians in Krasnodar in 2004," *MINELRES*, 2005, available at [<http://lists.delfi.lv/pipermail/minelres/2005-January/003781.html>].

Problems in the Legal Defense of the Meskhetian Turks

Ossipov stated that defense lawyers who defend Meskhetian Turks in the Krasnodar Territory usually face strong resistance from regional judiciaries.¹⁹ Courts customarily take a biased position in such cases and disregard the testimonies of Meskhetian Turks. Take the deportation case of the Muradovs as an example: on 16 December 2003, a judge of the Anapa district court convicted two Turks—Lutfi and Ridvan Muradov—to deportation from Russia. There were a number of procedural violations during the hearings, including passing sentence in the absence of the accused, who were thus unable to defend themselves. The Anapa court decision was supported by the regional court as well. Some Krasnodar Territory courts refuse to initiate Meskhetian lawsuits, on various pretexts. Usually, they demand additional proof from the claimants at the pre-trial stage—in most cases, the claimants fail to contest these decisions. If there are any court decisions taken in favor of Meskhetian Turks, the executive (primarily the police) avoids enforcing them. For example, the Passport and Visa Service of the Belorechensk District refused to issue Russian passports to a number of local Turks in May 2004 despite all of the latter possessing court decisions confirming their compliance with the 1991 Russian citizenship law.

Statelessness and its Implications for the Meskhetian Turks

Enhancing these general feelings of insecurity is the reality of the statelessness of most Meskhetian Turks. After the dissolution of the U.S.S.R., many found themselves citizens of a state that no longer existed, and lacked the ability to acquire citizenship of one of the Soviet Union's successor states. Those fleeing Uzbekistan failed to properly de-register their residency there, giving the Krasnodar Territory authorities an excuse to deny the Turk newcomers Russian citizenship (or any durable residence status). In the meantime, Uzbekistan disowned the Meskhetian Turks who had fled. As a result, there are about 20,000 of the latter living in a citizen vacuum. State intimidation and lack of help from an archaic national bureaucratic system have made many Meskhetian Turks live like fugitives in their own homes.

Is Repatriation an Option?

Given that Meskhetian Turks have practically no freedom in the Krasnodar Territory, urgent steps are needed to facilitate their humane repatriation to Georgia. At the same time, Meskhetian leaders point out that positive actions are also required to enhance protection for those who wished to integrate into the local community. The Meskhetian Turks consider both Turkey and Georgia as their homelands (both being formerly parts of the Ottoman Empire), but primarily identify themselves with Turkey. Regarding repatriation to Georgia, Aydingün²⁰ states that Meskhetian Turks were allowed to

¹⁹ See: A. Ossipov, "Meskhetian Turks in Krasnodar Territory Throughout 2003," *MINELRES*, 23 January, 2004, available at [<http://lists.delfi.lv/pipermail/minelres/2004-January/003157.html>].

²⁰ See: A. Aydingün, *op. cit.*, p. 51.

return only if they expressed their willingness to adopt a Georgian cultural identity; this was at odds with the formers' ideology, who although wishing to return to their original villages, did not wish to renounce their essential "Turkishness."

Since 1993, Georgia has officially encouraged the return of the Meskhetian Turks and seemingly prepared the legal requirements, but in practice, not much has really been done and the current number of Turks in Georgia is around 800.²¹ The Georgian government has stated that it is difficult to repatriate Meskhetian Turks in a timeframe that suits the latter, due to problems faced by the Georgian economy in light of general instabilities in the Caucasus, particularly through the consequences of the conflict in Nagorno-Karabakh. In addition, Georgia has its own conflicts over South Ossetia and Abkhazia, the civil war in Mingrelia, the fall-out from the Ingush-North Ossetian dispute over the Prigorodniy District,²² the Russo-Chechen conflict and its political implications for power structures in the adjacent Russian Federation Republics of Dagestan, Karachaevo-Cherkessia and Kabardino-Balkaria—all in addition to the socio-ethnic tensions in the Krasnodar Territory. With severe economic repercussions and humanitarian crises²³ attending each of these conflicts, disruption of gas pipelines, inability to pay for gas and dislocation of rail traffic from the north, Georgia finds itself unable to give full and urgent attention to the plight of the Meskhetian Turks.

Not wishing to upset relations with Kazakhstan, Uzbekistan, Kyrgyzstan and Georgia, Turkey has been reluctant to officially state its attitude regarding the Meskhetian Turks. The Turkish government has officially said that it aims to help all ethnic Turks outside Turkey (and especially the Meskhetian Turks) stay where they are. However, in 1990, Turkey modified the policy to welcome the Meskhetian Turks into Turkey, whether they arrived illegally or legally; while the legal measures taken for their settlement in Turkey were applied for a limited period of time only, those who migrate to Turkey by their own means are allowed to stay unofficially (that is, without receiving Turkish citizenship). Aydingün believes that the Meskhetian Turks are accepted legally as "national refugees"—since they are of Turkish descent and part of Turkish culture, they are entitled to migrate, settle and receive Turkish citizenship.²⁴ On the whole, however, the problems of the Meskhetian Turks continue as the Turkish government has shown a lack of political initiative on this matter and is keen to discourage large-scale in-migration.

Resettlement as a More Immediate Alternative

Although there are thousands of Meskhetian Turks residing in other Russian regions (such as Belgorod, Rostov, Stavropol, and Volgograd), in no location are conditions for them as difficult as in Krasnodar. A resettlement program, administered by IOM, was initiated in February-March 2004, with meetings being held between IOM officers, Meskhetian activists and local officials. The program covered the Meskhetians who lived in the Krasnodar Territory without *propiska*, allowing them to apply for refugee status and a package of social benefits once they resettled to the U.S. Representatives of the Krasnodar administration warned Meskhetians that those who continued to stay in the

²¹ See: A. Aydingün, op. cit., p. 51.

²² At the northern end of the Georgian military highway.

²³ Critical food shortages and corresponding high food prices; disruption of trading links; lack of foreign exchange; inadequate incomes to cover food, housing and medicine (forcing 5%-6% of the total Georgian population to leave their homes); chronic shortages of equipment, fuel and medicines in hospitals; health epidemics; and violent human rights abuses in places like Sukhumi and during the Abkhaz advance to the Inguri river.

²⁴ See: N. Sönmez, K. Kirişçi, "Report on Recent Movement of Refugees, Asylum Seekers and Illegal Immigrants into Turkey," *AWR Bulletin*, No. 4, p. 13.

Territory would permanently face trouble. By the end of July 2004, the first group of 84 Turks had been accepted by the U.S. Embassy in Moscow and were sent to Philadelphia. The number of Meskhetian Turks claiming refugee status soon reached 11,250, and the IOM office decided to end its acceptance of applications on 1 November. While it should not be supposed that all these applications will be accepted, none have been rejected so far, according to Ossipov.²⁵

However, it was not smooth sailing for the Meskhetians who were accepted as asylum-seekers—they faced problems in selling their houses as their ownership rights were not officially recognized on account of lacking *propiska*. While officials promised to rectify this situation back in February 2004, local administrations refused to document real estate sales attributed to Meskhetian Turks, and none of them managed to sell their houses as of the end of 2004. As expected, complaints to the Territory's administration had no effect. In addition, it was found that Meskhetians going to Krasnodar for the asylum interviews were often stopped and fined arbitrarily, detained and forced to pay bribes for lacking *propiska* throughout the entire second half of the year.

Are Meskhetian Turks Refugees?

Before the breakdown of the U.S.S.R., the very existence of refugees was not formally recognized in the country, and this term was not used in official documents. Before the Federal Migration Service was established in 1992, various Russian territories used a temporary procedure of registering and processing forced migrants. However, this was granted only to migrants from certain regions.²⁶ Thus, the Meskhetian Turks did not get similar temporary status. Decree No. 222 of the Territory Administration Chief allows the MSKK²⁷ to grant refugee or forced migrant status only to persons whose relatives have been residing permanently in the Krasnodar Territory for more than five years (for example, a spouse, parents, children, full brothers/ sisters). According to the Krasnodar Territory local Law On the Procedure for the Registration of Stay and Residence in the Krasnodar Territory, "the residential qualification for the relatives of potential refugees shall be increased to ten years."²⁸ Since the Meskhetian Turks have been unsuccessful in acquiring local residence registration, they cannot obtain refugee or forced migrant status.

Meskhetian-Turk Organizations

Issues of identity and lack of cohesive leadership permeate the situation of the Meskhetian Turks who have not yet been officially "rehabilitated." In fact, there has been no official pronouncement that they *have* been historically wronged! The first organized effort to promote their repatriation came in

²⁵ See: A. Ossipov, "Meskhetians in Krasnodar in 2004," *MINELRES*, 2005, available at [<http://lists.delfi.lv/piper-mail/minelres/2005-January/003781.html>].

²⁶ Neither Uzbekistan nor Kirghizia were present in this list, which was endorsed by the Committee on Migration and International Relations of the Supreme Soviet of the Russian Federation, and iterated by GAKK Decree No. 400 of 31 December, 1992.

²⁷ Krasnodar Territory Migration Service.

²⁸ On 7 June 1995, the Territory Legislative Assembly adopted Law No. 9-KZ On the Procedure for Registering Stay and Residence in Krasnodar Territory, signed by GAKK (Krasnodar Territory Administration Chief) Ye.Ĭ. Kharitonov on 23 June. In general, the law reproduces the provisions of GAKK Decree No. 222 and enacts new restrictions. In particular, the law requires registration of RF citizens who are temporarily visiting the Territory, and the residential qualification has been increased from five to ten years for those permanent residents of the Territory who have the right to have their immediate relatives registered in their housing. On 6 July 1995, the law was published and, thus, came officially into force. Its implementation mechanism was specified by GAKK Decree No. 438 of 8 July, 1995.

1963 with the formation of a temporary Committee for Return, which proved to be a strong and steadfast organization in the face of official Soviet pressure. Despite KGB attempts to repress the movement, the Committee played a pivotal role in encouraging continued Meskhetian-Turk agitation for rehabilitation and return. During the 1970s and 1980s, the Committee's influence was especially strong among the highly concentrated Diaspora in Uzbekistan, organizing protests and petition campaigns to press its cause.

However, the Ferghana pogrom in 1989 shattered the Committee for Return's organizational infrastructure, dealing a drastic setback to repatriation efforts. The swift and abrupt forced migration of Meskhetian Turks from Uzbekistan to other regions of the-then Soviet Union deprived the Committee of much of its tenacity. In 1990, the Committee for Return evolved into the *Vatan*²⁹ Society in an effort to rejuvenate the repatriation process. The underlying tenet guiding Vatan's action is the belief that Meskhetian Turks possess a distinct cultural identity that is essentially Turkish in nature. Vatan has two stated goals: formal recognition that the deportation of 1944 was unjust, and official permission for Meskhetian Turks to return to their homeland in Georgia.³⁰ However, internal division and financial woes have hampered the implementation of Vatan's repatriation strategy. Today, Vatan's national leaders do not command the near-universal support of the Meskhetian-Turk community that they had pre-1989. Also, the funding shortage affected the organization's ability to restore its lost cohesion, with the result that Vatan's negotiating position is not as strong as before.

Another organization is the *Khsna*³¹ Society, which unites those Meskhetians who are willing to identify themselves as "Muslim Georgians" and settle in different areas of Georgia, as required by the Georgian authorities, rather than just in the Akhaltsikhe Region. The *Umid*³² Society was created in 1994—its officially declared objectives are to work for reconciliation, cooperation and coordination of different Meskhetian movements in order to protect the rights of the Turks and to facilitate their migration from the Krasnodar Territory. In reality, the *Umid* unites those Meskhetians who wish to emigrate to Turkey. The *Umid* operates only in the Krymsk District, mainly in Nizhnebakanskiy stl.

“Caught between Earth and Sky...”

The Meskhetian Turks have been denied the most basic human rights and are treated inhumanely in an area where they have tried to build their homes and lives for many years. I would like to summarize the human rights violations taking place against them, thus exemplifying that the Meskhetian Turks have no home state, comfort zone, or recognition as citizens of *anywhere*.

Civil and Political Rights

The Meskhetian Turks lack the right to freedom of movement and the right to choose a place of residence. They are not granted the right to personal safety, and are regularly subject-

²⁹ Turkic for "homeland."

³⁰ Vatan's rigid position that Meskhetian Turks are ethnically Turkish runs counter to the Georgian government's stance, which states that Meskhetian Turks are Islamicized Georgians.

³¹ Georgian for "salvation."

³² Turkic for "hope."

ed to document checks and arrests for not having *propiska*. They cannot travel outside the country unless they leave for another place of permanent residence. Out of 19,897 people (including Meskhetians) who applied to the Krymsk District passport and visa service between 1 January, 1989 and 1 October, 1994, only 11,001 obtained *propiska*. Out of 8,479 Turks who applied for *propiska* within that period, only 14 persons received it. Thus, it can be seen that Turks made up 92.5% of all people who were refused *propiska* in the Krymsk District. The same situation existed in the Abinsk District—between 1989 and 1994, out of all the people considered by local police as “forced migrants,” only Turks were refused *propiska*.³³ They also cannot receive/restore personal documents; their marriages go unregistered; and fatherhood is not officially recognized.

Without *propiska*, the authorities do not recognize Meskhetians’ right to own real estate. Thus, their rights to own and make arrangements regarding their dwellings and plots of land are restricted. They cannot acquire land, and can sell their plots only in extraordinary circumstances (if they are leaving the region and after receiving special permission from local authorities). They are not allowed to construct anything on their lands. Officially, they are not allowed to sell/purchase cars and other motor vehicles. Meskhetian Turks cannot participate in elections/referendums on any level, nor can they participate in local self-government or work as state or municipal servants. The only right that is not limited for them is their right to gather; the regional Department of Justice has officially registered Turkish civil associations and authorities recognize them and maintain contact with them. The sole significant advantage for Turks in not having Russian citizenship is that no district has drafted them for military service since 1994.

Economic, Social and Cultural Rights

Without *propiska*, Meskhetians cannot receive pensions, benefits or any social allowances. They have no access to medical insurance and have to pay all medical services at full cost. They are deprived of the right to receive and renew/restore drivers’ licenses. They cannot be hired for most jobs nor work on a permanent basis. Turkish children face segregation in many schools, being placed in separate classes and courses, usually where the quality of education is lower. In addition, the issue of teaching a native language/culture has not been broached by local authorities or Turkish associations.

Personal Immunity and Dignity

Since 1989, Turks have been subjected to violence and threats of violence from Cossacks. In the winter of 1991-1992, more than 30 Meskhetian families had to leave the settlement of Economicheskoye in the Krymsk District, after being heavily “leaned on” by the Chairman of the Kievsky Settlement Council. In March 1994, several Turks from the Khutor Shkolny in the Krymsk District were beaten by a group of Cossacks from Krymsk. In November 1995, a large group of Cossacks belonging to the All-Kuban Cossack Army raided Khutor Armianski in Krymsk District, ending with 15 people being

³³ This statistical data was received by the Memorial Human Rights Center from the Krymsk Passport and Visa Service in October 1994 (published in: A. Ossipov, O. Cherepova, *The Violation of the Rights of Forced Migrants and Ethnic Discrimination in Krasnodar Territory. The Situation of Meskhetian Turks*, Memorial, Moscow, 1996, pp. 23-25).

flogged. In all cases, authorities refused protection to the victims and declined to pursue the guilty parties. Official authorities subject Meskhetians to regular humiliation, especially during “passport regime checks.”

Direct Discrimination

On 12 February, 1992, the Minor Council³⁴ of the Krasnodar Territory issued Decision No. 97, subjecting Meskhetian Turks to a certain provisional restrictive regimen.³⁵ Decision No. 97 made Turks a special, legally identified group of the population with a specific residence regime on the territory of the region—a group to which general rules do not apply. In addition, certain circulars identified all Meskhetian Turks in Krasnodar, regardless of their residence registration, as “individuals being temporary under the patronage of the Russian Federation.”³⁶

C o n c l u s i o n

One wonders to what extent this situation is specific to the Krasnodar Territory? After all, similar xenophobic and anti-migratory policies have been seen in many other Russian regions, such as the Rostov Region, Stavropol Territory, Moscow and St. Petersburg. Similar biased attitudes have been reported not only at the level of regional authorities but also in federal government actions as well. Despite many differences in detail, the migratory policy of the Krasnodar authorities does seem to reflect the general tendencies of state building and political development in modern Russia. The loss of many basic rights has resulted in extreme psychological pressure on the group identity of the Meskhetian Turks. The encroachment on their personal and group security, implemented with the connivance and direct participation of the Russian authorities, has forced many Turks to give up the idea of a homeland, and to just go wherever they can to be safe. While before the desire to return to Georgia was strong among Meskhetian Turks, this is now no longer the case. A Vatan leader summed up—“We need fast resolutions to these [repatriation] questions ... we need to be able to tell Meskhetian Turks some good news. They are losing faith.”

Note: There is a lack of accurate statistical data regarding the Meskhetian Turks in the Krasnodar Territory. Only general descriptions of the situations and the most approximate data can be given—the departments on labor and social problems at the local administrations do not dispose of exact figures on employment among the refugees, particularly the Turks. Most reports I read admitted they could not provide exact figures, as their attempts to acquire such information were perpetually thwarted by Russian authorities. I would not completely accept official statistics, as I am doubtful as to the extent of their accuracy.

³⁴ The presidium of the regional legislature.

³⁵ Never made public officially; the first publication in: A. Ossipov, *Russian Experience of Ethnic Discrimination. Meskhetians in Krasnodar Region*, Zvenya Publishers, Moscow, 2000.

³⁶ Memorial, “Annex III.”

SOCIAL AND POLITICAL SITUATION IN SAMTSKHE-JAVAKHETIA AND AROUND IT

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The Southern Caucasus is not merely the crossroads of the North-South and East-West transportation and communication routes. It is the place where the ambitions of the most influential actors—Russia, Western Europe and America—clash.

For various reasons, Russia is obviously the most influential regional force, its impact is felt in Georgia's Samtskhe-Javakhetia region in particular, therefore the situation there should be considered in the context of Russia's influence.

Over the past ten years, Samtskhe-Javakhetia has been repeatedly discussed by politicians, state and public figures, as well as all kinds of experts. The region figured in numerous official state and interstate as well as public projects designed to carry out sociological research there, improve its social and economic infrastructure, and remedy other local ills. Tens of millions of U.S. dollars supplied by all sorts of international organizations (the EU, Council of Europe, OSCE) and local and international foundations based in the U.K., Germany, and the U.S. were poured into these efforts.

Today, however, no one can say that the state and the public sector have achieved concrete results: just like back in the 1990s, the local people are still complaining about social and economic problems and feel abandoned by the Georgian central authorities and the international community as a whole.

The local public leaders have returned to the political slogans of the past, which became even more radical than before.

In fact, the agreement between the governments of Georgia and the Russian Federation on the Russian military base in Akhalkalaki is the only tangible result: on the strength of the November 1999 decisions of the OSCE Istanbul summit, Russia began removing its military hardware from the base.

It should be said that the local realities are rarely discussed: each of the sides involved tends to use the media to promote its own ideas and the methods to be employed. It is very hard to say whether they have anything to do with the region's public opinion.

Some public leaders are inclined to make political decisions that might worsen the local people's social and economic situation. Political demands, especially those formulated in the last twelve months, are leading to a political confrontation between Georgia and Armenia and deeper confrontation in the Southern Caucasus and across the vaster geopolitical expanse (the Middle East, Southern Caucasus, the Black Sea Basin) of which Georgia is part. An open discussion of Samtskhe-Javakhetia's problems should answer the following questions:

- Is the current situation a natural one or was it deliberately created?
- What is behind the current developments and how are they promoted?

- What is the structure of the regional processes? Which actors are involved in each of them? What roles do they play, and what interests, aims and goals are they pursuing?
- In what way are the local processes and the processes across the much wider geopolitical expanse connected?
- What are the most logical developments of the current situation and how will they affect the local people?

Here is what is going on in the area today: "In the 1980s, this was a modestly prosperous area. Today, the meat factory, dairy, clothes factory, furniture works, cement works, printers, shoemakers and chicken battery are all closed. The railway, established briefly towards the end of Soviet rule, has been torn to pieces for scrap."¹

This is what has been going on in the region for over ten years now. Since the mid-1990s, international organizations and Georgian businessmen have been trying to revive those enterprises, the state of which would, and could, be used to reproach the Georgian government.

So far, everything that was done to improve the social and economic climate in the region met with amazingly stubborn resistance from the local influence groups (especially prominent in Akhalkalaki and Ninotsminda), as well as certain top state structures and people in the highest echelons of central power.

It looked as if they wanted to preserve the situation that allowed them to shape local politics or manipulate all sorts of funds and grants. The interests of the local people and the country as a whole were dismissed as unimportant.

Everything that the NGOs could say about the implemented projects was obviously biased and designed to promote their interests. Few of the

documents provided a true picture, described the real problems, or offered solutions in the interests of the local population.

It is commonly believed that the idling enterprises are one of the reasons for the difficult social and economic situation; they should be restored. But in order to be restored, a facility must first come to rack and ruin, either deliberately or by negligence.

In the 1990s, practically all the industrial enterprises in the region were plundered; the metal parts were sold as scrap, the rest was used either for building private houses and commercial facilities, or merely sold off. There were more than 30 large production facilities alone among them.

Who is responsible for this?

According to the local bureaucrats who were left in control when the Soviet Union fell apart, "in the first half of the 1990s, Georgia was nothing more than a patchwork republic falling apart at the administrative seams, whereby local Armenian organizations fully controlled the situation in their region. It was Erevan's interference in the process alone that prevented the local Armenian population from achieving autonomy."²

It is not at all hard to identify personal responsibilities.

To do this we should go back to the personnel files of the 1990s to find out which of the local people de facto "ruled" the region's political and social life; who was responsible for what economic sphere in the region; and which forces in the center and Near Abroad lobbied what, etc.

The above was only part of the destruction process of local industry. At first, these criminal activities were pursued for personal material gains (this was typical of the entire post-Soviet expanse in the 1990s); later the situation ripened for smuggling, another type of criminal activity.

¹ A. Lieven, "Imperial Outpost and Social Provider: The Russians and Akhalkalaki," available at [<http://www.eurasianet.org/departments/insight/articles/eav022001.shtml>].

² "Zakavkazskaia anomalia i dzhavakhskiy vopros—miniimperii v novoy real'nosti," IA REGNUM, 10 October, 2005.

Economic Situation

Smuggling affects not only individual regions but the country as a whole in a very tangible way. In fact, many of the locals live on the illegal gains derived from smuggling, but in the case of the Southern Caucasus as a whole the smuggling map shows that we are confronted with an international smuggling pyramid and a structure much more complicated than it looks.

Its history goes further back than the 1990s; the Russian military base has an important role to play in the pyramid.

“Their presence underlines what is by far the most important reason for the desire of local people to keep the base—its crucial economic role in a deeply impoverished region... Other than smuggling across the border from Armenia (with drugs and other goods often coming originally from Iran and points east), the Russian base is by far the biggest employer, responsible for supporting a quarter or more of the local population.”³

In the past few years, the leaders of the region’s states (Azerbaijan, Armenia, Georgia, and the RF) have been repeatedly discussing the inadequacy of customs and border control. They are trying to fight smuggling and those who cross state borders illegally. Russia used this as a pretext to introduce visa conditions with Georgia, although everyone knows that this is being used to exert political pressure.

Still, we should bear in mind that there is a “state-governed” smuggling business in Samtskhe-Javakhetia conducted by Russia in its interests. This is more or less natural: for a long time the region remained one of the strategically important areas of the Soviet Union: it bordered on Turkey (which was a NATO member) and was crossed by a land transportation and communication corridor leading to the Soviet Union’s friends in the Middle East. At that time, we all belonged to the same state.

To gain a correct assessment of the present situation, we should bear in mind the following important questions:

- What human, information, and situational resources are critically important for continued smuggling in the region (the same applies to other, especially the conflict, regions of Georgia)?
- What aims threatening Georgia’s strategic interests is Russia pursuing by encouraging this criminal business in the region?

Whatever the case, even if the Russian Federation is managing the smuggling business, certain local people are involved as direct participants: they are people working at the local, district level (the Akhalkalaki and Ninotsminda districts) and members of the corresponding structures of Georgia’s neighbors, in short, all those who can be involved without negative consequences due to their administrative or legal status in the process or to help cover it up.

The Russian military base provided a firm basis for sustainable operations; at the same time, all the steps taken, including continued Russia’s military presence in Akhalkalaki, required justification and money.⁴ The region’s socioeconomic situation, which has remained unchanged for the

³ A. Lieven, *op. cit.*

⁴ The withdrawal of the Russian military bases from Georgia (including those stationed in Batumi and Akhalkalaki) under item 20 (works designed to set up a joint Georgian-Russian antiterrorist center) of the bilateral agreement signed in Sochi on 31 March, 2006 has acquired a different nature. I would rather describe the process as transformation of Russia’s military presence in the sectors directly adjacent to NATO along the former Soviet borders.

last ten years and the radical changes of which were deliberately curtailed, is one of such justifications.

For several years, a railway to Turkey—either the Kars-Akhalkalaki (that is, across Georgia) or the Kars-Gumri (across Armenia)—has been one of the most actively discussed subjects.

What will happen if the Kars-Gumri railway is restored while the alternative project is removed from the agenda?

Due to the current political situation in the region (Armenian-Turkish and Armenian-Azeri relations in particular), the construction will be deliberately slowed down because of the Karabakh conflict and the current interests of certain political circles in Russia. The project will be completed to become an object of political maneuvers if it is the only railway outlet to Turkey.

In this context, another regional project—the Baku-Tbilisi-Ceyhan oil pipeline—deserves special mention.

Despite certain official statements, the original route across the Akhalkalaki region was changed in the fall of 2002. It was done not only because of the purely political objections coming from the local Armenians, but also because of the real danger of deliberate interference in the pipeline construction in the interests of Russian rivals (oil pipelines moving oil products to Europe, including two potential lines Ukhta-Murmansk and West Siberia-Usa-Murmansk that required more time to be completed than the BTC line).

The project would have created jobs for the local Armenian people, improved their social and economic situation, and undermined the position of local political manipulators. This explains why by the end of 2002 some of the NGOs in Akhalkalaki, Ninotsminda, and Tbilisi joined the local activists to oppose the project.

If the Kars-Akhalkalaki railway operates in addition to the Kars-Gumri railway, the latter, as a purely economic project, will lose its political value as a lever of pressure.

There is also another aspect.

According to Armenian experts, today, when Armenia is “blockaded,” the annual legal trade turnover between Armenia and Turkey is, according to different estimates, between \$100 and \$120 million, which is a lot by Armenian standards.

There is probably also illegal trade turnover, the figures of which, in the context of the “conflict” and the ensuing “blockade,” are very high.

This presupposition is based on what we know is going in the zones of the Georgian-Abkhazian and Georgian-South Osset conflicts and on certain aspects of the officially undeclared business going on between certain “business” structures of Armenia and Azerbaijan, in which Georgia serves as a transit territory. In the absence of a conflict, the quality and quantity of business transactions as well as incomes would suffer, making shady business hardly worth maintaining.

The incident that took place on the Azeri-Georgian border in the fall of 2004 is highly significant in this respect: in the course of two months, several hundreds of oil tanks were arrested on the Azeri side, allegedly because the Georgian side meant them for Armenia. Later certain sources in Azerbaijan revealed the fact that the oil was indeed meant for a number of Armenian business groups and that Georgian businessmen were involved as intermediaries for cover-up purposes.

Information Policies

The Russian military base remained in the region for a long time not only for economic reasons, but also because there was deliberately created information background to which the local

people were especially responsive. They lived far too long in the “special border area” that stretched along the Soviet borders and played the role of the “iron curtain” of the Cold War period. There was a special everyday and information context to match. It was easy to brainwash the people in this situation.

I myself witnessed the results of these ideological efforts at a seminar held in Akhalkalaki on 25-26 September, 2001.

The local people wanted to discuss the “threats to the region and its population,” one such threat being a possible Turkish invasion into the area similar to that carried out in 1999, when in pursuit of the fighters of Abdullah Ocalan’s Kurdistan Workers’ Party, Turkish troops invaded Iraq.

I dismissed this as an absurdity with the question: “Do the local Armenians or Armenians in Turkey intend to follow the example of the Kurdistan Workers’ Party?”

In Akhalkalaki this is not an idle fear; this is part of the complex inherited from the past—“the outpost on Russia’s southern borders”—and exploited today.

In the past three or four years, the local people have acquired another phobia—Georgia’s alleged intention to set up a monoethnic state—another political trap created by the interested structures.

Recently, Vakhn Ovanesian, who represented the Dashnaksutiun Party, announced that Georgia planned to evict the Armenians from its territory, thus forcing them to take adequate measures. A similar statement (this time about the Ossets) came from prominent Armenian political scientist Igor Muradian during our talk in Erevan in September 2004. It is obviously part of a complicated political technological process.

“Georgia is obviously trying to become a monoethnic state; for this reason its political and economic establishments will do their best to force the Ossets to abandon their land and move to North Ossetia.”

We were talking in the presence of an Osset who had fought during the 1991-1992 conflict.

On hearing this he said: “If the local Ossets are forced to move to North Ossetia, they will realize that Russia has betrayed them. Before leaving, we shall fight in the South. Later, when living together in one country, we, Ossets, shall join forces to push Russians ‘from our land,’ which means that the Russians will acquire another hotbed of permanent war in the Northern Caucasus.”

The current problems of ethnic tolerance and understanding in Georgia, which are attracting a lot of attention from the international community and certain Armenian political figures, bring to mind what Igor Muradian, an inevitable participant of almost every public and political forum in Samtskhe-Javakhetia, said: “From the very beginning, Nagorno-Karabakh was not our aim. In the 1980s, we intended to eliminate the Azeri state. The Azeris are a failed nation. It was you who transformed it into a state.”⁵ This was addressed to members of the ANM (Armenian National Movement).

Certain political forces in Armenia have been exploiting the Javakheti question with increasing frequency—this is an important information component of Russia’s strategic interests in the region.

The radical political parties of Armenia frequently speak about Javakhetia; in the past year or two, the highest-ranking Armenian bureaucrats turned to the issue in their public speeches.

The final meaning of practically all the declarations made in connection with the processes in Samtskhe-Javakhetia and Georgia as a whole, coming from all types of political figures, was

⁵ ARABOT, 10 December, 2005.

summed up as follows: “We cherish our friendship with Georgia and might be interested in preserving its territorial integrity if its authorities realize that by refusing to grant autonomy to Javakhetia, something that the local Armenians want, they might threaten the interests of the entire country.”⁶

Russia’s Influence

Russia is using the Javakheti question to fortify its political and economic position in the Southern Caucasus. It wants to detach the entire region, as far as the Black Sea coast, from Turkey (or, rather, from the West) and minimize the West’s direct influence on the states still beyond its direct control.

If the plan works, Georgia and its government would become economically and therefore politically more dependent on Russia and, by the same token, much more easily governed by Russia’s political establishment. In this way, Russia would become the master of the transportation-communication corridor leading to the South and the Middle East.

By the corridor I mean geographical space rather than the South Caucasian states and nations living in this space. There is nothing new in this: at all times—when Russia was an empire, part of the Soviet Union, and today—Russian politicians are fond of talking about our region in these terms. It was this approach that fostered the ideas of supporting separatism in the conflict zones of Georgia, in Ajaria, and in Samtskhe-Javakhetia.

It was under Aslan Abashidze that a project of a Batumi-Erevan corridor independent of Tbilisi appeared: a 16 km-long tunnel under Goderdzi Pass that would give Armenia access to the Black Sea.

In Russia, two prominent political figures—former presidential advisor Andronik Migranian and Director of the CIS Institute Konstantin Zatulin—were actively promoting the project represented at the local level by local politicians.

In September 1998, the then head of the Ajarian Autonomous Republic said it would be expedient to unite Samtskhe-Javakhetia and Ajaria, the idea being eagerly supported by members of public organizations of Samtskhe-Javakhetia, including the Javakhk organization. These statements came soon after Migranian and Zatulin visited Batumi and Erevan.

The Dashnaksutiun program states that one of its aims is to make Akhalkalaki part of Armenia.

Javakhk bases its program on similar strategic political ideas. “The contradictory ideas and approaches of the regional actors toward Southern Georgia might cause conflicts and political and ethnodemographic shifts. According to one analyst, Javakheti might become as common geographical name as Nagorno-Karabakh.”⁷

After 1998, many critically important problems were deliberately suspended—this is true of the problems on which the settlement of the Abkhazian, South Osset and Karabakh conflicts depend. Certain decisions were repeatedly and intentionally delayed; this, in turn, slowed down other related solutions.

In fact, the processes that together were part of the regional conflicts were artificially separated: there is a tendency to discuss many closely intertwined issues separately, which makes it even harder to achieve positive dynamics.

⁶ Speech by representative of the ARF Bureau of Dashnaksutiun Grant Margarian at the 29th Congress of ARFD on 6 February, 2004 in Erevan.

⁷ “Zakavkazskaia anomalia i dzhavakhskiy vopros—miniimperii v novoy real’nosti.”

Today the regional processes are developing in the interests of the most influential regional actors: the “factors” adjusted to the Southern Caucasus and its individual regions, including Javakhetia, stem from their short-term interests.

COLLECTIVE MEMORY IN ETHNOPOLITICAL CONFLICTS: THE CASE OF NAGORNO-KARABAKH

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There is a general agreement among those who study ethnic conflicts that collective memory may fan them, quench violence, or even prevent such conflicts,¹ but it rarely becomes a subject of political studies. Strange as it may seem collective memory and its role in creating or settling ethnopolitical conflicts attract even less attention.

It seems that the concept is too vague and multifaceted to serve as an analytical category. Collective memory frequently includes such notions as “bad histories” of the groups involved, historical myths, “ancient hatreds,” or

is identified as the aggregate of individual memories. The absence of clear-cut differentiations is probably responsible for the researchers’ excessively cautious treatment of collective memory issues. Naturally enough the researchers want to avoid any accusations of abusing the “old ethnic hatreds” thesis. We all know that public opinion is prone to use it to explain ethnic conflicts, while experts invariably criticize this approach.

Those who study ethnic conflicts often point out that it is wrong to explain conflicts by “ancient hatred” between the sides, “bad” stories about one another, past atrocities, and dreams of revenge. This is a simplified approach, since “ancient hatred” per se does not necessarily cause conflicts. This is amply confirmed by numerous examples, former Yugoslavia being one of them: it is thought that the ethnic conflicts there were politically induced by the elites.

Finally, there is a widely shared opinion among experts that it is very hard to prove that it

¹ See: R. Petersen, *Understanding Ethnic Violence: Fear, Hatred, and Resentment in Twentieth-Century Eastern Europe*, Cambridge University Press, Cambridge, 2002; P. Rich, “Identity and the Myth of Islam: A Reassessment,” *Review of International Studies*, No. 25, 1999, pp. 425-437; J. Rothschild, *Ethnopolitics: A Conceptual Framework*, Columbia University Press, New York, 1982; S.J. Kaufman, *Modern Hatreds: The Symbolic Politics of Ethnic War*, Cornell University Press, Ithaca, 2001; D.R. Smock, *Religious Perspectives on War*, USIP Press, 2002.

is “centuries-old ethnic hatred” that cause ethnic conflicts in the first place. They say that conflicts are fanned by many different causes, old grudges being pushed to the fore a posteriori after the conflict has been raging for some time. As a result, the idea that collective memory may play an important role in an ethnic conflict is often reduced to simply stating that it was merely one of the factors among others.

Despite this I remain convinced that collective memory is an important, or even the key, factor in an ethnic or national conflict. The inability to track down and discern the specific role collective memory may play in an ethnopolitical conflict has undoubtedly infringed on our ability to prevent or resolve such conflicts. This makes it important to supply political scientists and politicians with a collective memory model to be applied to conflict analysis.

The above has posed two major aims: first, to formulate a collective memory conception that might be applied to an analysis of an ethnopolitical conflict; second, to demonstrate the possibilities of such a conception using the Armenian-Azeri conflict around Nagorno-Karabakh as an example. If collective memory is indeed an important factor, this is especially true of the majority of conflicts that emerged in the Caucasus in the last years of the Soviet Union and immediately after its disintegration. Contrary to the widespread opinion that the socioeconomic factor plays the central role in the genesis of conflicts and that cultural and/or religious factors come into play at later stages of conflict escalation, the key Caucasian conflict between Armenia and Azerbaijan stemmed from the two nations’ collective memory, the Armenians’ collective memory in particular. I shall present my arguments below.

Sociocultural Model of Collective Memory: Schematic Narrative Templates and Patterns

Some of my earlier works contain a detailed description of the collective memory model,² therefore I shall limit myself here to a concise description of this model, without which my further analysis would be impossible. Certain ideas and categories created within the sociocultural approach are indispensable for this collective memory model.³ This approach looks at collective memory as a phenomenon shaped by all types of narratives, historical narratives in particular. Historical narratives (annals, chronicles, history textbooks, etc.) are regarded as cultural instruments employed to promote collective remembering. Certain *properties of narratives* affect the collective remembering process in a very specific way. J. Wertsch identified an abstract and generalized form of narrative as one such property, which underlies numerous narratives and which he describes as the “schematic narrative template.”⁴ According to him, they differ from one cultural setting to another, require special reflection to be identified, and are used to mold stories about key historic events,

² See: R.R. Garagozov, “Collective Memory and the Russian ‘Schematic Narrative Template’,” *Journal of Russian and East European Psychology*, Vol. 40, No. 5, 2002, pp. 55-89; R.R. Garagozov, *Metamorfozy kollektivnoi pamiati v Rossii i na Tsentral’nom Kavkaze*, Nurlan Publishers, Baku, 2005; R. Garagozov, “Collective Memory and Memory Politics in the Central Caucasian Countries,” *Central Asia and the Caucasus*, No. 6 (36), 2005, pp. 51-60.

³ See: J.V. Wertsch, *Voices of Collective Remembering*, Cambridge University Press, Cambridge, 2002.

⁴ *Ibid.*, p. 62.

even in cases when historical events do not fit certain templates. By way of illustration, the author uses the specifically Russian schematic narrative template, which he describes as “*triumph over alien (external) forces.*”⁵

My studies⁶ showed that the templates were a product of interaction of many conditions and circumstances—political, religious, sociocultural, historical, and even psychological. The state and the Church, which largely control history-writing and the teaching of history, have a special role to play in the process of production, preservation, and reproduction of such templates. Being implanted in the mass consciousness through various forms of cultural and historical socialization, these templates may create a certain collective experience structure—the *collective memory pattern*—by which I mean a group’s tenacious and structuralized ideas about its past, the actions and motivations of its heroes, and the deeds of aliens. The pattern may blend with other sides of collective experience or even become “explicated in individual and group behavior,” to borrow an expression from Kroeber and Kluckhohn.⁷

Its ability to blend with other sides of collective experience explains the narrative template’s amazing tenacity: it has the ability to reproduce itself under new conditions and in new generations which managed to escape the traditional historical brainwashing programs. This explains why the patterns are inevitably present in group identities.

Samuel Huntington based his poly-civilizational paradigm, which largely explained the conflicts in the world today by cultural and civilizational factors, on this type of cultural pattern.⁸ This thesis attracted a lot of critical comments; some of his critics said in particular that he had failed to analyze whether the culture was prepared to resort to conflict, violence, or aggressive behavior.⁹ The collective memory theory I intend to develop here will help us to readjust Huntington’s thesis and counter this criticism using the following arguments. Even if we leave aside the thesis that some cultures are intrinsically more aggressive than others, collective memory still dwells on old grievances, anger, and hatred to be used, in specific circumstances, by political elites to start a conflict or a war. We can say that this collective memory model operates according to a principle that is the opposite to Freud’s model of individual memory, which suppresses negative emotions and recollections of negative and traumatic events. Collective memory, on the contrary, cherished the memory of past insults and tragedies. This stems from my version of collective memory: it relies on the traditions of medieval narratives that registered tragic events disrupting the normal course of life, such as wars, invasions, famine, etc. Indeed, what could the chronicler describe amid peace and general prosperity? This explains the very specific ideas about the past and the very specific forms of collective memory.

The above suggests several hypotheses. First, ethnic entrepreneurs and political elites can abuse collective memory patterns to start an ethnopolitical conflict. To achieve this they merely have to exploit “memory politics” to revive the old templates, which include those cultural patterns that mobilize the people and remind them of old insults, humiliations, and violence. Second, a conflict can be settled in

⁵ The author offers his own idea of the elements that together form the narrative template: 1. The original situation ... “the Russian people are living peacefully without threatening others” is cut short: 2. by difficulties or aggression of an external force or an agent that leads to: 3. a crisis and suffering, which: 4. are overcome by the triumph of the Russian people fighting heroically on their own” (ibidem).

⁶ See: R.R. Garagozov, “Collective Memory and the Russian ‘Schematic Narrative Template’.”

⁷ A.L. Kroeber, C. Kluckhohn, “Culture: a Critical Review of Concepts and Definitions,” *Papers Peabody*, Mus., Vol. 47, No. 1, 1952, pp. 181-198.

⁸ See: S.P. Huntington, *The Clash of Civilizations and the Remaking of World Order*, Touchstone Books, New York, 1996.

⁹ See: D. Senghaas, *The Clash within Civilizations. Coming to Terms with Cultural Conflicts*, Routledge, London, 2002.

a final and acceptable form only if the “memory politics” has been changed radically. This will encourage a critical attitude toward historical texts and history textbooks; produce new historical narratives freed from the “hatred texts,” etc.

The Karabakh Conflict: Theoretical Approach

Like any other ethnopolitical conflict, the Karabakh conflict is very complicated and highly confusing; its destructive potential, which threatens one of the world’s key geopolitical regions, is huge.

It differs from many other conflicts because, under the impact of numerous factors, it has already produced a vast number of wrong ideas and erroneous interpretations. There are at least two important factors: first, shortage of objective and carefully verified information obvious at the conflict’s initial stages—in the Soviet Union information was carefully dosed and even distorted by the communist authorities in the center and the republics; second, too many observers and analysts were ignorant of the region’s historical and cultural specifics. The list is much longer, but this is not the main thing. After the more than 18 years that have elapsed since the beginning of the conflict (filled with historic changes: the Soviet Union’s disintegration and independence of the South Caucasian states, which allowed analysts and observers to frequent the region), much about the conflict and especially its causes remains unclear and open to discussion.

A researcher of conflict situations¹⁰ has pointed out that ethnopolitical conflicts stem from causes very different from those that need to be resolved in order to quench them. I am convinced, however, that a lasting peace in the Caucasus is impossible without a clear understanding of the causes behind the Karabakh conflict; they should be investigated, removed, or at least neutralized.

This suggests that we should go back to the conflict’s initial stage, the scope and impact of which caught many unawares. It is not my intention to go into details: they are well known and described in numerous publications. I would like to dwell on one aspect only, namely, ethnopolitical mobilization¹¹ of the Armenians of Karabakh and Armenia. This is the key to a correct understanding of the past and present events. There are seven episodes¹² described in the press that correctly reflect the pace, scope, and dynamics of the Armenians’ political mobilization:

- Episode 1 (beginning): on 13 February, 1988, several hundreds of Karabakh Armenians organized an unsanctioned political rally in Stepanakert on Lenin Square to demand “reunification of Nagorno-Karabakh with Armenia (Armenian S.S.R.)”
- Episode 2: on 15 February, 1988, at a meeting of the Union of Writers of Armenia, prominent Armenian poet Silva Kaputikian supported the demands of the Karabakh Armenians.

¹⁰ See: Ch. Kaufmann, “Possible and Impossible Solutions to Ethnic Civil Wars,” in: *Nationalism and Ethnic Conflict*, ed. by M.E. Brown, O.R. Cote, S.M. Lynn-Jones, and S.E. Miller, MIT Press, Cambridge, Mass., 2000, pp. 265-304.

¹¹ Ethnopolitical mobilization is a process, in the course of which an ethnic group driven by collective interests becomes engrossed in political developments and organizes itself into a collective subject wielding resources adequate to political action (see: M. Esman, *Ethnic Politics*, Cornell University Press, Ithaca, New York, 1994, p. 28).

¹² Information is taken mainly from the book by Thomas de Waal *Black Garden: Armenia and Azerbaijan through Peace and War*, New York University Press, 2003 and verified, as closely as possible, with other sources.

- Episode 3: on 18 February, a meeting that protested against environmental pollution was held in Erevan (according to observers political demands were camouflaged by environmental slogans).
- Episode 4: on 20 February, 30,000 attended a rally in Erevan to support the demands of the Karabakh Armenians.
- Episode 5: on 22 February, an over 100,000-strong rally in Erevan supported the Karabakh Armenians.
- Episode 6: on 23 February, a 300,000-strong rally in Erevan supported the Karabakh Armenians.
- Episode 7: on 25 February, a 700,000-strong rally in Erevan supported the Karabakh Armenians.

In less than two weeks, the Armenians' ethno-political mobilization in the form of ethno-political protest reached its peak.¹³ How did the level of ethno-political mobilization rise to its peak in such a short time?¹⁴ None of the relevant publications at my disposal offered a special analysis of this phenomenon, but I believe that many observers are still inclined to agree with *Pravda*, which set forth its own ideas about the Armenian rallies.¹⁵

Certain researchers still think that the conflict was caused either by "social, cultural, economic, or political discrimination of the Armenian minority of Nagorno-Karabakh by the Azeri majority," "ancient hatred" between the Armenians and the Azeri, "incompatible ethnic or religious identities," or a combination of these factors.¹⁶

S. Cornell (whose desire to find a theoretical formula for the Karabakh conflict makes his work much more superior than other books on the same subject) explains the Armenian-Azeri conflict by several factors, including the clashing "antagonistic identities" fed by "ancient hatred," support of the Armenian diaspora outside the conflict area, the absence of democratic institutions in the Soviet Union that offered no outlet for the local Armenians' dissatisfaction and complaints, etc.

Having based his study on T. Gurr's conception of ethno-political action, Cornell explained the Armenians' ethno-political mobilization, which caused the conflict, by the high level of cohesion that existed among them. No matter how high, this cannot lead to a group's social or political mobilization. His work does not elaborate on the causes of the local Armenians' dissatisfaction. He has admitted,¹⁷ however, that there was no cruel social, economic, cultural, or even political discrimination of the Armenian minority: compared with other regions of the Soviet Union, the local Armenians were

¹³ See: T.R. Gurr, *Minorities at Risk: A Global View of Ethno-political Conflicts*, USIP Press, Washington D.C., 1993.

¹⁴ The meetings, especially the earlier ones, were organized by clandestine or semi-secret Armenian nationalist organizations that had been stepping up their political involvement for some time (see: Th. de Waal, op. cit.). At the same time, they were not strong enough either organizationally or administratively and had no information facilities to mobilize the people within a very short period.

¹⁵ In an article about the Karabakh events *Pravda* wrote: "What forced tens of thousands of Armenians in Stepanakert (former name of the Karabakh capital.—R.G.) and Erevan to pour into the streets? Tens of thousands of Armenians took to the streets of Stepanakert not only because they wanted to unify with Armenia. They were pushed into the streets by the inadequacies of Karabakh's socioeconomic development and infringements on their national and other rights" ("Emotsii i razum. O sobytiakh v Nagornom Karabakhe i vokrug nego," *Pravda*, 21 March, 1988).

¹⁶ See: S.E. Cornell, *Conflict Theory and the Nagorno-Karabakh Conflict: Guidelines for a Political Solution?* Triton Publishers, Stockholm, 1997.

¹⁷ *Ibidem*.

well-off and enjoyed cultural-political autonomy. We can assert that the conflict was not caused by “ancient hatred.” Armenians and Azeris have much in common in the cultural sphere; until the end of the 19th century they lived peacefully side by side.

What was behind the conflict then, if socioeconomic factors and cruel discrimination have been ruled out? Was it the “hand of Moscow?” As distinct from former Yugoslavia, the communist rulers of which in Belgrade fanned ethnic hatred, the central Government in Moscow can hardly be accused of similar policies in the corresponding period. These considerations have left the cause of the intensive ethnopolitical mobilization of the Karabakh Armenians in the shadows. We are still confronted with the question: “What forced tens of thousands of Armenians in Stepanakert and Erevan to pour into the streets?”

Thomas de Waal was one of the first to point to the inadequacy of the above approaches to the interpretation of the Karabakh conflict and, instead, to attract attention to such aspects as the conflicting sides’ different historical ideas about their past, official propaganda of hatred, myths, etc. The author has pointed to the following factors: This conflict was inevitable to a much greater extent than any other conflict in Yugoslavia or the Soviet Union: it was deeply rooted in the inner structure of the two sides’ relationships in the communist system’s last years. Four elements—different national versions of history, a debatable frontier, a shaky security system, and lack of dialog between the sides—chipped away at the foundation of these relations. Unrest caused the cracks to spread into a yawning abyss between Armenia and Azerbaijan. So far the problem’s novelty and its deep-cutting nature have made it impossible to construct a mechanism to deal with it.¹⁸

In his *Black Garden: Armenia and Azerbaijan through Peace and War*, de Waal wrote by way of explanation: “Uncomfortable as it is for many Western observers to acknowledge, the Nagorny Karabakh conflict makes sense only if we acknowledge that *hundreds of thousands of Armenians and Azerbaijanis were driven to act by passionately held ideas about history, identity, and rights* (italics mine.—R.G.). That the vast mass of these ideas was dangerous and delusory does not make them any less sincerely felt... The ideas expanded inside the ideological vacuum created by the end of the Soviet Union and were given fresh oxygen by warfare. The darkest of these convictions, the ‘hate narratives,’ have taken such deep root that unless they are addressed, nothing can change in Armenia and Azerbaijan.”¹⁹

His conclusion about the great role the conflicting historical ideas, or even myths, played in the conflict’s origins is significant. The author has limited himself to a general conclusion, but has chosen the right road. Three things, however, can be disputed.

- First, he has virtually ignored the much vaster context of Turkic-Armenian relations (for example, the causes of the Armenian-Azeri conflicts early in the 20th century), without which the fierceness of the present conflict cannot be explained.²⁰
- Second, “bad stories” abound in tales about the past of many peoples, yet they do not start wars. It seems that conflicts are started by very special “bad stories” and by specific conditions that should be identified.
- Third, the “hate narratives” de Waal mentioned in his book date to a much earlier period than the last years of the Soviet Union, as the author seems to believe. In fact, they had existed long before the Soviet Union or the Armenian and Azerbaijanian

¹⁸ See: Th. de Waal, “Konflikt vokrug Nagornogo Karabakha: istoki, dinamika i rasprostranennye zabluzhdenia,” available at [URL <http://www.c-r.org/our-work/accord/nagorny-karabakh/russian/index.php>] 14 August, 2006.

¹⁹ Th. de Waal, *Black Garden: Armenia and Azerbaijan through Peace and War*, p. 272.

²⁰ This context is presented in detail in J. MacCarthy, C. MacCarthy, *Turks & Armenians. A Manual of the Armenian Question*. Committee on Education. Assembly of Turkish American Association. Washington D.C., 1989.

Union Republics came into being. I shall demonstrate below that the “hate narratives” continue the old Armenian historiographic tradition that repeatedly reproduces the specifically Armenian narrative template rooted in the Middle Ages.

Armenian Narrative Template: The “Loyal People Living among Enemies and Tortured by Them”

I have already demonstrated²¹ that the Armenian historiographic tradition has been developing the narrative schematic template of “*loyal people living among enemies and tortured by them.*” It consists of the following key components:

1. *The original situation*: the Armenian people are living in glorious and valiant times cut short by enemy intrigues that result in
2. enemy attacks,
3. the Armenians suffering a great deal,
4. the fact that if they remain loyal to their faith, they overcome the enemies, if they retreat from their religion they are defeated.

This template is not the only one typical of the Armenian historical narrative; there are also so-called “hate narratives” relating to those who followed other confessions and belonged to other cultures explained by the desire of the Armenian Church as the main institution responsible for history-writing and preserving the texts to secure its influence on the minds and hearts of the people and even increase it.²²

Between the late 18th and early 20th centuries, this template was actively planted in the Armenians’ collective memory through mass publications of the Armenian history books church schools used to teach history. As time went on, this template, which had already blended with different sides of collective experience, developed into a *pattern* of the Armenians’ collective memory, which greatly affected collective behavior, ideas about the world, and the nation’s way of thinking. Later, in the 19th century, which can be described as a secular “age of nationalism,” Armenian intellectuals deemed it necessary to readjust the Armenian schematic narrative template to place it on a nationalist, rather than religious, basis. They succeeded in replacing the “Armenian faith” with the “Armenian people” or “nation;” in this way, the nationalist-minded Armenian intelligentsia modified the religious ideological formula “*the fate of the Armenians depended on their loyalty to their faith*” to what sounded like a national formula, but remained as religious as ever: “*the fate of the Armenians depended on their loyalty to their people.*”

In other words, the Armenian schematic narrative template created by the Armenian Church and transformed by the Armenian nationalists to serve their own political purposes and ambitions emphasizes the traumatic experience of the past and orientates all layers of Armenian culture, collective memory included, toward a very specific perception of “us” and “them.” The results can be traced in

²¹ See: R.R. Garagozov, *Metamorfozy kollektivnoy pamiati v Rossii i na Tsentral’nom Kavkaze.*

²² Ibidem.

the Armenians' very specific psychic organization that bears traces of a "besieged mentality" and awareness of themselves as an "island of civilized Christian 'Europeans' amid a hostile sea of untamed Asian Muslims."²³

The Armenians' tragedy that took place in Ottoman Turkey in 1915 added a very specific content to the already existing Armenian template: "the Christian Armenians surrounded by Turkic Muslims and tortured by them."

Collective Memory Patterns and Ethnopolitical Manifestations: The Karabakh Conflict

I am convinced that the specific pattern of the Armenian collective memory was the main factor in the Karabakh conflict. For want of space, I shall limit myself to the most important arguments.

"Loyal people living among enemies and tortured by them" is the collective memory pattern and one of the Armenian national myths presented under certain conditions. The tragic events of 1915 in Ottoman Turkey filled the main pattern with concrete images of the Turks and the Azeris, who counted as Turks, as the main enemies. This created the image of an enemy in the Armenian minds, while the Azeris, who had no such patterns in their collective memory, for a long time refused to look at the Armenians as enemies.

This pattern planted apprehension and constant fear for their future in the minds of the Armenians.²⁴ In their conception of strategic interactions between ethnic groups, Lake and Rothschild described this fear as "ethnic fear."²⁵ They write that more often than not acute ethnic conflicts are rooted in the groups' fear of their future: (a) fear of assimilation; (b) fear of physical extermination. They come to the fore during times of anarchy when the state is too weak and cause so-called dilemmas of group strategic interaction, which lead to conflicts. Ethnic fears might be created by rational (choice in ambiguous situations) as well as irrational (political myths and emotions) factors. In our case, ethnic fears fanned by increasing anarchy and weakness of central power stem from the specific features of the Armenians' collective memory and the pattern described above.

We can surmise that when triggered this pattern can produce "ethnic fears" among the Armenians by creating narratives multiplied by the media, ethnic entrepreneurs, leaders, etc. Since this article is limited in scope, I shall offer one, although highly typical, example of the narratives that appeared in great numbers in Armenian public debate and that contained the most typical arguments used by the Armenians at the conflict's earlier stages. I have in mind a leaflet of five chapters called *Nagorny Karabakh: Istoricheskaia spravka* (Nagorno-Karabakh. Historical Information)²⁶ prepared by the Academy of Sciences of the Armenian S.S.R., 45,000 copies of which were published in 1988.

²³ See: S.E. Cornell, op. cit.; E.M. Herzig, "Armenia and the Armenians," in: *The Nationalities Question in the Post-Soviet States*, ed. by G. Smith, Longman, London, 1996.

²⁴ An Armenian respondent admitted to de Waal that "Fear of being destroyed, and destroyed not as a person, not individually, but destroyed as a nation, fear of genocide, is in every Armenian" (Th. de Waal, *Black Garden: Armenia and Azerbaijan through Peace and War*, p. 78).

²⁵ See: D.A. Lake & D. Rothschild, "Containing Fear: The Origins and Management of Ethnic Conflict," in: *Nationalism and Ethnic Conflict*, pp. 97-131.

²⁶ See: *Nagorny Karabakh. Istoricheskaia spravka*, ed. by G.A. Galoian, K.S. Khudaverdian, Academy of Sciences of the Armenian S.S.R. Publishers, Erevan, 1988.

Significantly, this work, which claims to contain scientific reference information,²⁷ is structured in full accordance with the major components of the Armenian schematic narrative template.

- Chapter One, “Nagorno-Karabakh since Ancient Times to 1917,” supplies bits and pieces of information about the area’s past intended to prove that it belonged to the Armenians and Armenia from time immemorial. The story reconstructs the “glorious” past of the region populated mainly by Armenians. This fully coincides with the first component of the Armenian schematic template (“the Armenian people are living in glorious and valiant times”).
- Chapter Two, “Nagorno-Karabakh between 1918 and 1923,” looks at the events that ended with the creation of the Nagorno-Karabakh Autonomous Region within the Azerbaijanian Republic and presents the result as an absolutely erroneous decision associated with Stalin’s sinister figure (in full conformity with the second component—“enemy intrigues result in enemy attacks”).
- Chapter Three, the shortest of all, “The Nagorno-Karabakh Problem in the Light of Lenin’s Conception of Nations’ Self-Determination,” does not fit into the narrative template: it was obviously a concession to communist rhetoric and traditional ideological Marxist-Leninist formulas accepted in the society that professed the communist ideology.
- Chapter Four, “Certain Aspects of the Autonomous Region’s Demographic and Socioeconomic Development,” essentially reproduces the third component of the Armenian schematic narrative template (“the Armenians suffering a great deal”), set forth in the context of an economic, cultural, social, and, most important, demographic decline (the share of the Armenians was diminishing compared to the share of the Azeri population).²⁸
- Chapter Five, “On the Events in Nagorno-Karabakh and Around It,” fully corresponds to the last element of the Armenian narrative template (“if they remain loyal to their faith they overcome the enemies, if they retreat from their religion they are defeated”). The chapter says that the Armenian rallies in Karabakh and Armenia were neither spontaneous, nor “inspired from outside.” They reflected the nation’s desire to remedy the injustice. The chapter points to the Armenians’ (local and those living in other countries) cohesion in the face of the hardships that befell them and their readiness to continue fighting.

The work draped the Armenian narrative template in more or less academic garb as befits an academic publication; many other narratives of the same period are much less refined and inflexible when following the template.²⁹

The narratives that reproduced the specifically Armenian schematic template undoubtedly revived the pattern of the Armenians’ collective memory (“loyal people living among the Turks and tortured by them”) accompanied by ethnic fears.

It was this revival of the Armenian pattern that stirred up tremendous force, which within a very short period brought about ethnopolitical mobilization of the Armenian people. De Waal wrote: “Af-

²⁷ I have not set myself the task of discussing whether the arguments are correct or erroneous. I shall limit myself to saying that since it was written to justify the claims of one side on Nagorno-Karabakh, it, as any other work of the same sort, is one-sided, tendentious, and selective when it comes to the information offered and the interpretation of events.

²⁸ The only table found in the work is called “Size and National Composition of the Autonomous Region’s Population,” in: *Nagorny Karabakh. Istoricheskaja spravka*, p. 47.

²⁹ A relevant example is the book by Armenian journalist Z. Balaian *Ochag* published in 1987 in Erevan that reminded the Armenians about “their enemies, Turks”; the same applies to 10,000 leaflets distributed on 12-13 February, 1988, on the eve of the rallies in Stepanakert (see: Th. de Waal, *Black Garden: Armenia and Azerbaijan through Peace and War*).

ter the protests in Karabakh, Soviet Armenia rose up in a series of vast street demonstrations. Armenia was one of the most homogeneous and self-confident republics in the U.S.S.R., yet no one, including the leaders of the demonstrations themselves, anticipated what energy they would release. It seemed that the Nagorny Karabakh issue had the capacity to touch a deep nerve inside Armenians. Explaining how Karabakh could suddenly bring hundreds of thousands of people onto the streets, the political scientist Alik Iskandarian uses the term 'frozen potential.' 'The Karabakh factor was frozen, but it needed absolutely nothing to bring it to the surface,' he says. Even those who knew almost nothing about the sociopolitical situation in Karabakh itself felt that they could identify with the cause of Armenians encircled by 'Turks' (a word that in the Armenian vernacular applies equally to Turks and Azerbaijanis).³⁰ To a certain extent, the Armenians' imagined fears served as a powerful catalyst for political mobilization.

The above collective memory model offers a much better explanation of the phenomenon of the Armenians' political mobilization and of the Karabakh conflict. As such, it may suggest many ways to settle it.

Some Conclusions about How to Resolve the Conflict

The above analysis has made it possible for the author to outline a set of potential political initiatives which could lead to peace in the region. Since collective memory has been identified as an important factor, all efforts at settling the conflict should be concentrated on "memory politics"³¹ and "identity politics"³² carried out in Azerbaijan and Armenia. Both sides are concentrating on historical myths, something that interferes with the peace efforts. We should create a new history which, as distinct from the current historical narrations, should not only abide by the principles of the nations' development, but could also reconcile them. The local political elites should abandon the habit of reviving the old patterns and "order" new narratives capable of introducing new interpretations designed to quench animosity on both sides. The idea of a new history will obviously arouse no enthusiasm on either side; those wishing to resolve the conflict by force will probably oppose this idea. The weak democratic institutions and the absence of truly independent academic structures, universities, and the press in both countries interfere with radical readjustment of the currently pursued memory politics. The international community, which wants a settlement, should elaborate a program of action designed to change the current memory politics obvious on both sides. It would be useful to compare history textbooks and identify misinterpreted or erroneous facts, crudely nationalist interpretations, obvious biases, etc. Since no one can claim perfect knowledge of the truth, we cannot impose on the sides versions of their histories selected by others. We can, however, demand that the sides take part in an international discussion of their histories, because only a free exchange of opinions can help them arrive at common ideas. We can demand that the states present their history textbooks for schools to inde-

³⁰ See: Th. de Waal, *Black Garden: Armenia and Azerbaijan through Peace and War*, p. 22.

³¹ J.R. Gillis, "Memory & Identity. The History of Relationship," in: *Commemorations: the Politics of National Identity*, ed. by J.R. Gillis, Princeton University Press, Princeton, 1994, pp. 3-24.

³² *Identity Politics and Women: Cultural Reassertions and Feminisms in International Perspective*, ed. by V.M. Moghadam, Westview Press, Boulder, 1994; E.E. Sampson, "Identity Politics. Challenges to Psychology's Understanding," *American Psychologist*, Vol. 48, No. 12, 1993, pp. 1219-1230.

pendent reviewers abroad and publish reviews at home.³³ Similar programs realized in Western Europe in the wake of World War II played an important role in educating new generations of the German, French, and other European nations, who in this way delivered themselves from the burden of the prejudice and grudges of their recent bloody past.³⁴ The peoples of Azerbaijan and Armenia, who also suffered in the war, should and can, with international assistance, open new prospects for the conflict's peaceful settlement.

³³ See: S. Van Evera, "Hypotheses on Nationalism and War," in: *Nationalism and Ethnic Conflict*, pp. 26-60.

³⁴ See: E.H. Dance, *History the Betrayer: A Study in Bias*, Hutchinson, London, 1960.

MASS MEDIA

TRAINING CENTRAL ASIAN JOURNALISTS: SOVIET LEGACIES MEET LESSONS FROM U.S. MEDIA HISTORY

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

Western governments, international development agencies, foundations, and donor organizations regard “democratic journalism” as a tool to liberalize authoritarian re-

gimes and contain religious fundamentalism and anti-Western sentiments abroad. It has become synonymous with Western-style journalism and is regarded as dedicated to extending democracy

and free market economics. Since the Soviet Union collapsed in 1991, democratic journalism has been exported to its former republics through seminars and workshops that generally emphasize traditional U.S. news values such as impact, conflict, novelty, prominence, proximity, and timeliness.¹ As journalism educators and trainers, we have participated in this process. These values are often touted as alternatives to values connected to Soviet-era news conventions, policies, and underlying ideology.

There is no generally accepted definition of “democratic journalism,” but commonly accepted elements are drawn from the libertarian press model of Siebert, Peterson, and Schramm. Although the relevance of their Cold War-era categorization may be outdated, as critics² argue, their model includes identifiable attributes of “democratic journalism:” “The press is conceived of as a partner in the search for truth... The press is not an instrument of government, but rather a device for presenting evidence and arguments on the basis of which the people can check on government and make up their minds as to policy. Therefore, it is imperative that the press be free from government control and influence... There must be a ‘free market place’ of ideas and information.”³

“Western-style journalism has been acclaimed a model for global journalism, but for the most part by Western-style journalists and scholars,” Brislin wrote. He warned of the “futility of attempting to fit indigenous values into a procrustean bed of Western economic or political design. Multiple models of citizen-press-government relations grow legitimately out of indigenous value systems and are enduring within the forces of globalization.”⁴ Yet West-

ern trainers too rarely consider the relevance of pre-existing, Soviet-shaped news values and conventions. The Soviets regarded the press as a propaganda—“education”—weapon for the communist party. Schlesinger observed that Marxist governments “treat the news of the day as the basis on which to propagate the ideas they stand for; informing their readers about current events is treated as part of an educational activity.”⁵ Simultaneously, trainers push for uncritical adoption of Western conventions, such as those inherent in the “inverted pyramid” reporting and writing style that remains dominant in American journalism, although Western publications now supplement that traditional structure with alternatives.

Practical, cultural, and historical problems mesh, including the fact that most training programs last only a few days or weeks. Thus theories and reporting methods, such as those related to development communication or public journalism, get little attention.⁶

“Democratic journalism” trainers generally convey practical content such as skills related to interviewing; generating story ideas, lead writing, source identification, and use of quotes. We and our colleagues teach effective transitions, attribution, balance of sources, alternative lead styles, editing techniques, and other skills standard in U.S. reporting courses and textbooks.⁷

According to Miller, “The notion seems to be that these occupational practices embody qualities like objectivity, facticity, and disinterestedness, that add up to professionalism, which itself contributes to a watchdog relationship to state institutions that, in the end, produces a

¹ See: Missouri Group, *Telling the Story*, Bedford/St. Martin's, Boston, 2004.

² See: J.C. Merrill, J.C. Nerone, “The Four Theories of the Press Four and a Half Decades Later: A Retrospective,” *Journalism Studies*, No. 3 (1), 2002, pp. 133-136.

³ F.S. Siebert, T. Peterson, and W. Schramm, *Four Theories of the Press*, University of Illinois Press, Urbana, Illinois, 1956, pp. 4-5.

⁴ T. Brislin, “Empowerment as a Universal Ethic in Global Journalism,” *Journal of Mass Media Ethics*, No. 19 (2), 2004, pp. 130-131.

⁵ R. Schlesinger, “Problems of the Soviet Press as Illustrated by the Soviet Journalists’ Monthly *Sovetskaia Pechat*,” *Soviet Studies*, No. 9 (2), 1957, pp. 223.

⁶ See: R. Shafer, “Comparing Development Journalism and Public Journalism as Interventionist Press Models,” *Asian Journal of Communication*, No. 8 (1), 1998, pp. 31-52.

⁷ See: C. Rich, *Writing and Reporting News: A Coaching Method*, Thompson Wadsworth, Belmont, California, 2005; B. Itule, D.A. Anderson, *News Writing and Reporting for Today's Media*, McGraw Hill, New York, 1997; A.L. Lorenz, J. Vivian, *News Reporting and Writing*, Allyn & Bacon, Needham Heights, Massachusetts, 1996.

knowledgeable citizenry able to govern itself.”⁸ Thus seminars and workshops in Central Asia have been primarily concerned with news gathering based on the journalistic conventions of U.S. mainstream and commercial newspapers and broadcasters. Of course, variations of these conventions are found in the presses of other democratic nations and in emerging democracies, but the United States government and American-funded foundations

are the largest sponsors of trainings in Central Asia.

Since the United States was itself once an emerging democracy, examining its media history illuminates how even under the best of economic and political conditions the press must struggle to establish and maintain its freedom. Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan are just emerging from long colonial subjugation by the Russians under the tsars and then under the Soviets; their press systems are adapting to independence, just as the U.S. press system began adapting to independence from Britain in the late 1780s.

⁸ J. Miller, “Research Report, IREX Short-Term Travel Grant,” available at [<http://www.irex.org/programs/research/02/index.asp>, 2002].

Replacing the Soviet Press Model in Central Asia

What Jones describes as “the flowering of glasnost,” or openness, during Mikhail Gorbachev’s rule inspired new publications and elimination of most governmental restrictions on journalists’ activities,⁹ but the Soviet Union’s collapse, starting in 1989, and the ensuing independence of its Central Asian republics immediately produced dictatorial regimes there. Under those circumstances and coupled with the end of the Cold War, Western nations rushed to encourage “free press” systems as essential to a “civil society” and encouraged free, market-oriented press systems.

In addition to the U.S. government, funders of journalism trainings include the Civic Education Project (Soros Foundation); Council for the International Exchange of Scholars (Fulbright); the British Broadcasting Corporation; Organization for Security and Cooperation in Europe (OSCE); World Christian Communicators Association; International Research and Exchanges Board (IREX); Cable News Network; Freedom House; Internews; and the International Center for Journalists.

All five governments remain strongly authoritarian and exert a high level of direct or indirect press censorship, including prohibitive libel laws, unjustified arrests and imprisonment, tax audits, canceled licenses, and pressure on advertisers and printing houses. Juraev divided them into three models: “authoritarian-democratic” in Kyrgyzstan and Kazakhstan, with despotic administrations but some signs of freedom; “post-conflict,” in post-civil war Tajikistan, where journalists practice self-censored out of fear the media may spark another conflict; and “total control” in Turkmenistan and Uzbekistan, where governments fully control printing and broadcasting.¹⁰ The March 2005 Tulip Revolution that ousted the Kyrgyz president has already led to a freer and more diverse mass media; if that trend continues, the country’s press system would need reclassification.

Most of these regimes, however, recognize some advantages to modernizing media content by permitting journalists to learn about Western practices even if on a practical level their journalists cannot

⁹ See: A. Jones, “The Russian Press in the Post-Soviet Era: A Case Study of *Izvestia*,” *Journalism Studies*, No. 3 (3), 2002, pp. 359-575.

¹⁰ See: A. Juraev, “The Uzbek Mass Media Model: Analysis, Opinions, Problems,” *Central Asia and the Caucasus*, No. 1 (13), 2002, pp. 130-138.

implement what they learn without risking sanctions. Another reason they allow Western trainers into tightly controlled newsrooms and universities is that Western donors pressure those governments to democratize their press systems. Allowing “democratic journalism” trainings gives at least the appearance of a commitment to developing free press systems.

Meanwhile, it remains relatively easy for governments to censor content that is too reflective of Western news values and reporting conventions, particularly if the content criticizes the regime or other powerful interests. Journalists are often punished for their stories, as frequent reports from the OSCE, Committee to Protect Journalists, U.S. State Department, Freedom House, Center for Journalism in Extreme Situations, Human Rights Watch, and other press monitors verify. Self-censorship is rife too.¹¹ The deputy director of the Kazakhstan National Press Club said the imprisonment of an opposition journalist in 2003 put media workers on their guard: “There are no longer any guarantees that journalists will not find themselves in a similar position if they criticize the authorities. As a result, the press no longer discusses controversial issues.”¹²

For Western funders, a kind of consulting and education industry has evolved, directed at filling a demand for journalism trainings in nations moving from Marxist-based economies and Soviet-style press systems. Demand is based on the desire of Western nations to extend their own ideologies and political systems, and to further their economic and strategic objectives. That demand also relates to the desire of Central Asian governments to modernize press systems and at least appear to support democratic institutions.

Rationale for Teaching about U.S. Journalism History

This article outlines our experience as journalism professors, as well as former reporters and editors, who have led trainings in Central Asia. We found that incorporating U.S. media history into these trainings is one effective way to temper the appearance of cultural or ideological imperialism that seems inherent in the “democratic journalism” concept.

American press history offers insights into the emergence of the dominant, international commercial journalism models. Presented objectively, it helps journalists in other nations form a more critical perspective on Western journalism, allowing them to more effectively accept or reject any constituent parts of the basic American model and its underlying ideology. On a practical level, understanding the historical roots of American journalism can help Central Asian journalists to better adapt its conventions and values to working in their own societies.

Of course, this approach assumes cultural sensitivity, historical consciousness, and empathy on the part of the Western trainers. We have observed ideologues among foreign consultants who presume that all aspects of the Western model are inherently better than those practiced in the host nation. Westerners teaching journalism in an authoritarian country, of course, should avoid appearing condescending; they must recognize that promoting a free press system in a society where those elements cannot be practiced might endanger trainees who adopt them as working journalists. It is easy for a trainer to convey disdain for the press in a country with heavy government controls and

¹¹ See: R. Shafer, E. Freedman, “Obstacles to the Professionalization of Mass Media in Post-Soviet Central Asia: A Case Study of Uzbekistan,” *Journalism Studies*, No. 4 (1), 2003, pp. 91-103; E. Freedman, R. Shafer, “Policing Press Freedom in Post-Soviet Central Asia: The Monitoring Role of Press Rights Activists and Their Web Sites,” paper presented to Association for Education in Journalism & Mass Communication Kansas City, Missouri, 2003.

¹² V. Abisheva, “Self-Censorship Rife in Kazakh Media,” Institute for War and Peace Reporting, RCA 207, 27 May, 2003.

overt censorship. Merrill noted: Western—especially American—academics and practicing journalists travel increasingly to the Third World preaching the benefits of capitalistic and pluralistic media structures. This perspective is arrogant and ethnocentric, reflecting a “stultified intellectual view of reality.”¹³

If the remaining veteran Soviet-era journalists still are among the most capable available professionals with regard to their skills, then training them to adapt to Western models is a productive investment for funders. Understanding the factors of economic determinism in media development is also critical to bridging from the Soviet model to more democratic ones.

A good start is an objective and informed overview of the development of the U.S. commercial press, beginning in New York with the first Penny Press newspaper, *The Sun*, in 1833. Familiarity with the evolution of the commercial press might also serve as a reality check for trainers and make them more tolerant of existing conditions in the nations where they serve, especially in those nations that lack a functioning market-based economy. That evolution in 1830s America included increasing literacy, industrialization, the emergence of a middle class, mass production and mass consumption, expanding democracy, a two-party system, and pervasive advertising, as well as other factors that don't yet exist in Central Asia.

Many people inside and outside the United States assume that U.S. press freedom emerged without difficulty. However, development of an independent press was not without obstacles, so media history can show journalists how the road to a free press is often serpentine, with detours and potholes. At the same time, trainers must explain there is no rigid, linear progression that begins with colonial prior restraints, passes through a Penny Press-type era, survives censorship efforts, and culminates in press freedom.

Meanwhile, knowledge of Soviet media history is also essential for effective “democratic journalism” trainings. That history since the 1917 Revolution sharply contrasts with the evolution of the commercial press in the United States and other long-time democratic nations.

Applications of U.S. Press History to Central Asia

Before the early 1990s, Central Asian journalists were privileged professionals, well rewarded for acquiring an education that emphasized socialist economic theory, and reporting in a manner consistent with Marxist-Leninist theory. That system favored interpretive writing and reporting that furthered Communist Party goals and advancement of socialism. Successful journalists acquired power and self-esteem from interpreting events within the parameters of government policies and accepted interpretation of Marxism-Leninism. If participants in these trainings had been journalists under the Soviet system, then they likely experienced material rewards and social status before independence. The primary challenge was to internalize those parameters. This was particularly difficult under Joseph Stalin because those parameters were never fixed, and much depended on the whims of those in power. Journalists adapted to survive under subsequent leaders and changing conditions.

Although the writing in the best of Soviet mass media was high in quality, content tended to be long and ponderous; journalists paid less attention to the constraints of dominant Western news values such as impact, conflict, novelty, prominence, proximity, and timeliness. These values were sec-

¹³ J. Merrill, “Chaos and Order: Sacrificing the Individual for the Sake of Social Harmony,” in: *The Mission Journalism, Ethics, and the World*, ed. by J. B. Atkins, Iowa University Press, Ames, Iowa, 2000, p. 18.

ondary to the state's goals. Thus the wreck of an Aeroflot airliner might not be immediately reported, and when it was, the story might be buried with facts obscured, particularly facts deemed to reflect negatively on the government and its airline. Commenting on such lack of objectivity, Vartanova quoted a Soviet journalism textbook as saying: "Press, radio journalism, TV journalism, and documentary films are means to realize the process of dissemination of ideas, theories, socially significant information, and education of social sentiments, habits, motivations, intentions, etc. It is important that different mass media and propaganda function as integral parts of a unified system, not substituting, but complementing each other."¹⁴

Western-style journalism with its often-adversarial approach and emphasis on sensation, crime, deviance, entertainment, and tragedy, was anathema to dedicated Soviet journalists. As self-perceived agents of social and economic change, they took seriously their role in promoting policies and programs inspired by Marxism-Leninism. Also anathema was the seemingly heedless devotion of Western journalists to the inverted pyramid style, to the attention on speed, concision, simplicity, and scoops, and to its relative absence of analysis or depth. Balanced reporting tended to be ignored in favor of furthering social consensus and providing the authorized ideological spin.

Since the meltdown of the Soviet Union, journalists have suffered declining ideological motivation, prestige, and income. This is especially true for many ethnic Russian professionals who failed to adapt to the nationalistic press systems controlled by newly established authoritarian governments. Central Asian journalists learned to modify what were the familiar, if repressive, demands of the Soviet system and to abandon the theoretical framework of communism. Familiar ideology was replaced with tenuous, emerging new national and often esoteric ideologies and revisionist histories. Central Asian regimes regard the press as a tool of nation-building and national identity,¹⁵ and they work to create unique national identities based on regional ethnic traditions, histories, and myths. As a result, ethnic Russian journalists often feel more alienated than their non-Russian colleagues do. Many saw their best options as leaving the profession or country, or finding employment with foreign organizations or media. To work for domestic media, they usually had to accept the new national ideology and promote it in their work. Such conditions are not unusual, as evidenced by the prevalence of authoritarian press models worldwide.

Kulikova and Ibraeva sound critical of the domination of the "commercial stance" as an alternative to the Soviet model. Yet the commercially-supported democratic system that emerged during the Penny Press era of the 1830s and 1840s is the essence of the American model. As for immediate reforms in journalism in Central Asia, their seeming aversion to commercialism is probably well-founded, but is also reflective of the Russian tradition of resisting the most extreme forms of capitalism in favor of collectivism. Such resistance to Western institutions and ideologies goes back to Tsar Peter the Great and his "Great Reforms," policies aimed at forcing Westernization on Russians beginning in the 18th century.¹⁶

Despite its economic success and the freedom it exhibited, the early commercial press in the United States produced content that was sensational and often inaccurate and unethical. Content focused on crime, prostitution, the bizarre, immorality, and other popular fare in a newly industrialized society. Such content and practices are understandably repellent to those in other nations seeking to preserve cultures that do not uphold unbridled individualism and the freedom to be profane, critical, exploitive and adversarial.

¹⁴ E. Vartanova, «Media Structures: Changed and Unchanged,» in: *Russian Media Challenge*, ed. by K. Nordenstreng, E. Vartanova, and Y. Zassoursky, Kikimora Publications, Helsinki, 2002, pp. 21-22.

¹⁵ See: F. Muminova, "National Identity, National Mentality, and the Media," *Central Asia and the Caucasus*, No. 5 (17), 2002, pp. 132-139.

¹⁶ See: L. McReynolds, *The News Under Russia's Old Regime: The Development of a Mass-Circulation Press*, Princeton University Press, Princeton, New Jersey, 1991.

Lessons from America's Colonial Press History

Virginia's colonial governor prayed in 1671 for God to block creation of free schools and newspapers, lest heresy, disobedience, and libel spread. He and other politicians feared a free press would rile the masses and destabilize public order. America's first newspaper had a short life. Benjamin Harrison's *Publick Occurrences Both Foreign and Domestick*, printed in Boston in 1690, was shut down after only one issue. Colonial officials did not like its candid reporting on Indian-related atrocities and a sex scandal involving the French king. The effect of the shutdown was chilling: Fourteen years passed before another newspaper started in the colonies.¹⁷

Colonial journalists not only reported crime news but sometimes ended up in jail. In 1722, authorities arrested Benjamin Franklin's older brother James for criticizing and insulting the government and censored his paper.¹⁸ Since the incarceration or removal of reporters and editors still happens on an occasional to semi-regular basis in many countries with a developing free media, the colonial experience has particular relevance. For too many Central Asian journalists, that issue is more current events than history, as evidenced by prosecutions of independent journalists.

In many countries, expansion and modernization of the judicial system accompanies development of a free press. The John Peter Zenger case provides bountiful fodder to study the intersection between press freedom and the courts. In 1734, the publisher of the *New York Weekly Journal* was charged with seditious libel—a crime in British America—for articles attacking the colonial governor. The case is not only factually significant but makes a colorful story that many foreign journalists identify with, particularly those who may face jail because of their own work.¹⁹

The case marked the beginning of two important precedents in libel law: truth as a defense and a jury's right to decide whether an article is defamatory. The practical impact was far from immediate, and it was not until well into the 20th century that these principles became firmly established in U.S. law.²⁰ Critical articles about government and the press's right to print them were at the heart of the Zenger case. Central Asian journalists work under the same shadow of imprisonment and repression, and they know their outcome may be far less favorable than Zenger's.

Therefore, the case can stimulate insights about the definition of truth and the role of the press. Is truth based on facts, or is truth what government says it is? Just as the case planted in many colonists' minds the revolutionary concept that individuals have a right to criticize government and its leaders, that concept remains elusive in countries where even truthful criticism may lead to imprisonment and civil libel suits that can bankrupt a news organization. Freedom to criticize a regime may be long in coming, and journalists find it less risky to be truthful about sports, art, or music than politics, politicians, or bureaucrats.

Discussion of the role of journalism during the revolutionary period should explain pamphleteering, letters to the editor, political cartoons, advocacy, and media outlets as propaganda organs. The written word played an important part in rallying civilians and troops, with Thomas Paine's *Common Sense* providing the best example. Similarly, early war correspondent Isaiah Thomas was far from objective, and his *Massachusetts Spy* was a strong backer of the Revolution. Journalists

¹⁷ See: V.E. Edwards Jr., *Journalism in a Free Society*, William C. Brown Company, Dubuque, Indiana, 1970.

¹⁸ *Ibidem*.

¹⁹ See: D.R. Pember, C. Calvert, *Mass Media Law*, 2005/2006 Edition, McGraw Hill, Boston, 2005; *The Media in America: A History*, ed. by W.D. Sloan, Fifth Edition, Vision Press, Northport Alabama, 2002.

²⁰ See: *The Media in America: A History*.

who attempted to be objective during the emotional run-up to the war were attacked and hanged in effigy by either Patriots or Tories. Some editors changed politics depending on which side had the upper hand at the moment. One Philadelphia publisher was vehemently nationalistic and printed the Declaration of Independence, but changed his professed allegiance when British troops occupied his city.

Lessons from Post-Independence Press History

The Alien and Sedition Acts of 1798 illuminate how press freedoms can be taken away faster than they are established. As Federalists and Republicans battled for political power in the new nation, editors were caught in the crossfire. The Sedition Act was intended to punish anti-Federalists editors; it established fines and imprisonment for publishing false, scandalous, or malicious writing against the government, Congress, or the president. Most of the ten people convicted were editors. While the statute was aimed at silencing Republican editors, most historians deem it a failure in that regard since the anti-Federalists continued their attacks. This “stain on the First Amendment” was removed when the acts expired in 1801, three years after enactment.²¹

That controversy can be viewed in the context of growing pains as the newly independent country divided itself into political parties. Some historians have noted that once the realignment of Federalists and Republicans was clearly delineated, every newspaper of importance became a party organ. This bitter partisanship manifested itself in gutter journalism in the early 1800s. One historian labeled newspapers of the period as “viewpapers.” U.S. icons were routinely derided in the press. For example, George Washington was accused of seeking to become king; Thomas Jefferson was condemned as an atheist; Alexander Hamilton was accused of being paid off by the British; and Andrew Jackson was accused of having a mulatto mother. Even strong advocates of press freedom like Jefferson bristled when they became targets of false reporting.²²

Since 1991, similar patterns emerged in ex-Soviet republics where “independent” newspapers started as or evolved into organs of opposition parties rather than truly independent. Both official and opposition news organs face a lack of credibility. Journalists, therefore, confront the issue of whether independent media can stay independent, or whether they too will drift into a comfortable political camp, as 19th century U.S. newspapers did.

Day’s *New York Sun* was the first truly commercial newspaper representing the Penny Press era. Its initial content was heavily sensational and emphasized crime news and immoral behavior, particularly stories highlighting folly by the rich and famous. In the first issue, Day announced: «The object of this paper is to lay before the public, at a price within the means of everyone, all the news of the day, and at the same time afford an advantageous medium for advertising. The sheet will be enlarged as soon as the increase of advertisement requires it—the price remaining the same.»²³

Elements of that early commercial press system, with its focus on the sensational, might be expected to emerge in developing nations. Since Central Asia’s economic growth is not similarly vigorous, a commercial press—even if permitted—may lack the economic base necessary for the kind of

²¹ See: V.E. Edwards Jr., op. cit.

²² Ibidem.

²³ J. Folkerts, D. Teeter Jr., *Voices of a Nation: A History of Mass Media in the U.S.* Fourth Edition, Allyn & Bacon, Boston, 2002, p. 121.

stable and independent system the United States enjoys. The publisher of the independent English-language weekly *Times of Central Asia* based in Bishkek, Kyrgyzstan, said: "There is no market solution to the present financial problem. The market is too small. Companies do not advertise on a regular basis and consequently the only source of income for independent media is very limited. A possible solution may be contribution from public funding based on distribution and other parameters but given the red budget of the various countries of Central Asia this does not seem realistic. A support from foreign organizations may help with training and equipment but this will not be enough."²⁴

Also, governmental constraints and censorship, with a mind toward the sensibilities of conservative Muslims and tradition-oriented people, especially in rural areas, is likely to tone down the kind of sensational fare that might otherwise prove profitable.

Other themes that can be presented from 19th century journalism history include the Yellow Press decade that began in the late 1880s. This period highlights the problems that competitive media face when they become highly successful enterprises and, as a result, must continually increase circulation or broadcast audiences. Since large segments of Central Asian populations are alienated from the mainstream press in their nations—with high levels of mistrust of the media²⁵—journalists should be prepared for consequences when conditions change and audiences increase dramatically. The Yellow Press era provides insights into the results of attracting newly literate ethnic and religious minorities to mass circulation media with advertising, sensational content, and other commercial enticements. Particularly in large nations with diverse ethnic groups such as Uzbekistan and Kazakhstan, journalists are likely to benefit from understanding this period.

Another lesson regarding periods of highly sensationalized news content, such as the Penny Press, Yellow Journalism, and Jazz Journalism eras, is that they are cyclical and that sensationalism draws new and perhaps less sophisticated readers. Those readers' tastes are likely to evolve as they become more educated and politically enfranchised, and as they raise their demands related to media content beyond the entertainment function that sensationalism generally serves. With improved economic circumstances, Central Asians are also likely to increasingly use the media for consumer information. As with American newspapers, this information is likely to vary in its reliability, and readers will have to adapt by evolving into more effectively critical consumers of their media.

As U.S. newspapers severed their traditional partisan political dependency and shifted to advertising dependency, the tail end of the 19th century and the early 20th century was marred by what Rodgers described as the growth of advertising's influence over the news side of the press. He described how the liquor industry, which was then fighting proposals to outlaw alcohol, blatantly bought favorable "news" coverage and editorials, and he told how advertising by the fraud-ridden patent medicine industry influenced news coverage and commentary.²⁶

Still, today's enlightened media planners and democratic media supporters might be more tolerant of sensational content in an emerging commercial press if they understand that the first stage of success is building mass readership with popular content. Advocates of the Western model assert that only a mass audience of consumers will attract necessary advertising, subscriptions, and other commercial revenue, and that profits accumulated by economically successful independent media result in the ability to pay journalists high enough salaries to promote a sufficient com-

²⁴ G. Fiacconi, E-mail to lead author, 17 November, 2002.

²⁵ See: C.Y. Wei, B.E. Kolko, and J.H. Spyridakis, *The Effect of the Internet on Society in Uzbekistan*, paper presented at the Association of Internet Researchers, Toronto, Ontario, 2003.

²⁶ See: R.R. Rodgers, *Tainting of the Stream of Pure News: Collier's Criticism of the Newspaper Press During the Norman Hapgood Years, 1902 to 1913*, paper presented to Association for Education in Journalism & Mass Communication, Toronto, Ontario, 2004.

mitment to professionalism, ethics, and social responsibility. Journalists are vulnerable to intimidation and bribes when their salaries are low, as in Tajikistan where most earn only U.S. \$20-\$30 a month, “but even that sum is not guaranteed since most of the private companies do not offer contracts to staff.”²⁷

Lessons from Prior Restraint in U.S. Press History

Prior restraint means the power of government to prevent publication or broadcast, as differentiated from punishing the press after publication or broadcast. U.S. courts generally strike down governmental efforts to block publication of truthful information that the press obtains legally. That happened, for example, in *Smith v. Daily Mail Publishing Company*,²⁸ when the Supreme Court threw out a West Virginia statute that made it a crime to accurately publish the names of accused juvenile offenders.

The most famous example of post-World War II censorship came during the Vietnam War when the federal government tried to stop the *New York Times* and *Washington Post* from publishing a voluminous Defense Department historical study of U.S. involvement in Southeast Asia. The documents, which contained no military secrets, had been leaked to the newspapers. However, the Nixon administration worried about the potential for “highly explosive” political and diplomatic ramifications if the documents became public.²⁹ In the Pentagon Papers case—*New York Times v. United States* and *United States v. Washington Post*³⁰—the Supreme Court let the papers resume publication and ruled that there is a “heavy presumption” that prior restraints are unconstitutional.

The Pentagon Papers case articulated the principle that the government bears a heavy legal burden of justifying any prior restraint, and few judges have upheld censorship since then. An exception came in 1979 when a federal judge in *United States v. The Progressive, Inc.*³¹ enjoined a liberal-oriented magazine, from printing an article describing how to build a hydrogen bomb. The information came from public documents, interviews, and sources, including encyclopedias, but the judge held that national security concerns about nuclear power during the Cold War outweighed First Amendment guarantees. Only after the same type of information appeared in other publications was the magazine free to publish its article.

Coverage of criminal and civil litigation is a significant public affairs reporting, and the Supreme Court has made it increasingly difficult for trial judges to impose gag orders on media coverage of judicial proceedings. In *Nebraska Press Association v. Stuart*,³² a landmark case that pitted fair trial and free press rights against each other, the court found gag orders justified only under extremely limited conditions; in practice, the decision made it virtually impossible for judges to gag journalists.

Trainers must acknowledge, however, that U.S. news organizations voluntarily self-censor themselves, even when the government lacks constitutional authority to impose prior restraints. In

²⁷ N. Zokirova, *Tough Life for Tajik Journalists*, Institute for War and Peace Reporting, RCA 206, 23 May, 2003.

²⁸ 443 U.S. 97 (1979).

²⁹ See: M. Emery, E. Emery, and N.L. Roberts, *The Press in America*, 9th Edition, Allyn & Bacon, Boston, 2002.

³⁰ 713 U.S. 403 (1971).

³¹ 467 F. Supp. 990 (1979).

³² 427 U.S. 539 (1976).

John F. Kennedy's presidency, the Central Intelligence Agency was preparing to use Cuban exiles trained in Guatemala to invade Cuba and oust Fidel Castro. At the White House's request, the *New York Times* watered down a scheduled front-page story about the planned operation. The Bay of Pigs invasion proved a military, diplomatic, and political debacle and an embarrassment for the President. Kennedy later told *New York Times* managing editor Turner Catledge, "Maybe if you had printed more about the operation you would have saved us from a colossal mistake."³³

Lessons from Recent Press History

U.S. journalism since World War II can be presented through interwoven themes that, when combined, reflect the press's self-defined role as a watchdog willing to push the limits of First Amendment guarantees. Those six decades have been marked by an escalating commitment to investigative reporting about government, business, and the nonprofit sector—most famously the Watergate investigation led by the *Washington Post* that ultimately led to the resignation of President Richard Nixon.³⁴ Many news organizations now assign journalists to investigative beats; an organization called Investigative Reporters and Editors was established in 1975, and other professional groups such as the Society of Environmental Journalists conduct trainings about investigative methods.

Another theme of the period is increased access to government and public institutions, a concept known internationally as transparency, although the federal and state governments have tightened access to public information and meetings in the aftermath of the 11 September, 2001 attacks and the advent of the War on Terrorism.³⁵

A major reform push known as the Right to Know movement began during the Cold War but did not come to fruition until the Watergate era produced freedom of information and open meetings statutes.³⁶ Although not rooted in the First Amendment, these laws rest philosophically on the presumption that records of governmental agencies belong to the public and that public entities should make decisions in public. Such statutes are essential tools for journalists. Pember and Calvert cited examples of how reporters have used the federal Freedom of Information Act to obtain documents about defective cars, environmental crises at nuclear power plants, illnesses suffered by Gulf War veterans, automotive safety, and sexual assaults on women in the military.

To do their jobs, journalists also need access to governmental facilities and operations. In decisions beginning in 1980, courts have upheld the right of the press to attend virtually all civil and criminal trials and hearings, recognizing a presumption that such proceedings are open.³⁷ However, courts uphold some limits on press access to prisons, public schools, war zones, military bases, and executions. Also, since 11 September, 2001 attacks, governments have taken measures to reduce press ac-

³³ H.S. Parmet, *JFK: The Presidency of John F. Kennedy*, Dial Press, New York, 1983, p.163.

³⁴ See: C. Bernstein, B. Woodward, *All the President's Men*, Simon & Schuster, New York, 1974; *The Media in America: A History*.

³⁵ See: M. Kim, *More Likely to Withhold Information? Comparison of Implementation of FOIA Policies under the Clinton and Bush Administrations*, paper presented to Association for Journalism & Mass Communication, Toronto, Ontario, 2004; N. Laughner, *Secrecy or Security: Identifying Trends in State Access Law Legislation*, paper presented to Association for Education in Journalism & Mass Communication, Toronto, Ontario, 2004; Reporters Committee for Freedom of the Press, "Homefront Confidential: How the War on Terrorism Affects Access to Information and the Public's Right to Know," 2003.

³⁶ See: K. Uhm, *The Communication Crisis During the Cold War: The Right to Know Movement*, paper presented to Association for Journalism & Mass Communication, Kansas City, Missouri, 2003.

³⁷ For example, *Richmond Newspapers v. Virginia*, 448 U.S. 555 (1980); *Publicker Industries v. Cohen*, 733 F. 2d 1059 (1984); *Press-Enterprise v. Riverside Superior Court*, 478 U.S. 1 (1986).

cess to certain places and events, such as immigration deportation hearings.³⁸ And journalists who cross police lines or enter private or governmental property without permission can be criminally charged with trespass or disobeying police orders.³⁹

In Central Asia, most governmental decisions are made by small groups of people in secret. Bakhriev described “absolute dominance of the executive branch over courts, Parliament, and mass media aggravated by capricious, self-interested bureaucrats, rampant corruption, and a powerful clan patronage system”⁴⁰ in Uzbekistan and decried how statutes are enacted “by bureaucrats behind hermetically sealed doors” rather than being subjected to parliamentary debate. Most journalists based in the capital have never been inside the Oly Majlis (Parliament) building, let alone covered parliamentary meetings or deliberations. Journalists in the region often find it impossible to examine governmental records or attend trials. The rationale appears to be that government information belongs to government. Officials and bureaucrats are reluctant to subject themselves to interviews and when they do, sometimes insist on anonymity.⁴¹ Lack of access to information also impacts journalists indirectly by preventing potential sources from obtaining information.

Yet another interwoven themes—evolving since Zenger’s case—involves libel. History shows that civil suits, criminal prosecutions—and even the mere threat of suits or prosecutions—create an intimidating potential weapon against press freedom. In Central Asia, criminal libel laws put journalists at risk of prison and heavy fines for reporting accurate information that is deemed critical of government agencies and officials; libel fines and civil damages bankrupt media organizations.⁴² Today in the U.S., virtually all sedition and criminal libel statutes have been repealed or struck down as unconstitutional.⁴³

Conclusions

There are obstacles to teaching “democratic journalism in” Central Asia. Some Western trainers are absolutist in advocating the complete rejection of existing press models; they actively promote wholesale transfer of Western journalism values and traditions. Such imperialistic and paternalistic attitudes have been recognized as archaic and ineffective in other disciplines related to national development, where Western advisors and instructors have become more sensitive to cultural, historical, religious, social, and other factors that influence the adoption of Western paradigms and ideologies. Elliott drew this distinction between patriotic and nationalist journalism in new nations: “Patriotic journalism is journalism that keeps in mind what citizens need to know to make educated decisions for self-governance. Nationalistic journalism, on the other hand, is journalism that echoes what authorities want to say or what citizens want to hear. The difference between patriotic and nationalistic journalism is the difference between ‘reporting’ and ‘repeating.’”⁴⁴

³⁸ See: D.L. Edwards, *Can the Effect of Richmond Newspapers Stretch Even Further? An Analysis of the Right of the Press to Cover Immigration Hearings*, paper presented to Association for Education in Journalism & Mass Communication, Kansas City, Missouri, 2003.

³⁹ For example, *United States v. Maldonado-Norat*, 122 F. Supp. 2d 264 (2000).

⁴⁰ K. Bakhriev, *Slovo o svobode slova*, R. Elinin Publishing House, Moscow, 2003.

⁴¹ See: E. Freedman, M. Walton, “Independent News Web Sites’ Coverage of Religion in Central Asia,” *Central Asia and the Caucasus*, No. 1 (37), 2006; E. Freedman, “Coverage of Environmental and Environmental Health News of Central Asia by Independent News Web Sites,” in: *History and Society in Central and Inner Asia*, University of Toronto Asian Institute, Toronto, 2005.

⁴² See: U.S. Department of State, “Country Reports on Human Rights Practices,” 2006.

⁴³ See: K. Paulson, “Jailed for Speech: Criminal Libel is an Old—and Bad—Idea,” First Amendment Center, 18 January, 2004.

⁴⁴ D. Elliott, “Terrorism, Global Journalism, and the Myth of the Nation State,” *Journal of Mass Media Ethics*, No. 19 (1), 2004, pp. 30.

As Brislin observed, even journalists in highly restrictive and oppressive systems have a sense of professionalism, even if their news organizations behave as agents of the state. Western trainers can promote professionalism, public responsibility, and ethics in the context and realities of Central Asian nation-building, cultural values, and history without attempting to impose their own models. And incorporating precedents from U.S. media history into journalism instruction is valuable in mitigating content that otherwise is wholly uncritical of Western media practices. Historical content can help professional journalists, instructors, and students understand the imperfections of the dominant Western model. Another benefit of historical content is that trainers are likely to become more self-reflective, critical, and perhaps more tolerant of other models. We do not advocate that trainers draw false analogies or stress artificial similarities between U.S. media history and that of Central Asian republics. However, conveying these precedents may help the region's working journalists and journalism academics recognize that "democratic journalism" is an imperfect model and an evolutionary one in all nations where it has been adopted. This recognition will allow engagement in the important process of determining which aspects of the model are relevant to conditions, cultural expectations, political and economic realities, and social acceptance levels in Central Asia.
