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CENTRAL ASIA AND THE CAUCASUS

Journal of Social and Political Studies

5 (53)
2008

CA&CC Press[®]
SWEDEN

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FOUNDED AND PUBLISHED BY

INSTITUTE
FOR CENTRAL ASIAN AND
CAUCASIAN STUDIES

Registration number: 620720-0459
State Administration for
Patents and Registration of Sweden

INSTITUTE OF
STRATEGIC STUDIES OF
THE CAUCASUS

Registration number: M-770
Ministry of Justice of
Azerbaijan Republic

PUBLISHING HOUSE

CA&CC Press®. SWEDEN

Registration number: 556699-5964

Journal registration number: 23 614
State Administration for Patents and Registration of Sweden

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SWEDEN

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

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CENTRAL ASIA AND THE CAUCASUS
Journal of Social and Political Studies
No. 5(53), 2008

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- Central Eurasia: Politics Today
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- Russia, the U.S., and the EU: Their Policy in Central Eurasia

**GEOGRAPHY, GEOPOLITICS,
AND THE RELATED TERMS****EURASIA,
GEOPOLITICS, AND
AMERICAN FOREIGN POLICY**

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Eurasia, a geopolitical conceptual construct of the 20th century, has been analyzed from diverse perspectives. Many distinguished scholars have contributed to this effort. Such analytical exercises inevitably call for further study and commentary on complex dynamics of Eurasian political and economic processes. This global corner currently attracts substantial international attention from great powers and small players alike. Global geopolitical corners have historically been defined by great powers involved in theatrics of international struggle. International politics cannot avoid clashes of interests among participants; such is the nature of the international system composed of nation-states. Currently, the Russian Federation and the United States of America vying to have their vision of regional order prevail in Eurasia. Fortunately, their com-

petition lacks drama of the Cold War, but is no less important, especially for the Eurasian countries directly affected by potential outcomes. To a considerable extent, Moscow and Washington continue espousing incompatible ways of doing global politics. The Russians still see the world divided among discrete spheres of influence, resembling the divisions of the Cold War. Such perceptions of the divided world are no longer global in scope, and not necessarily as rigid as they used to be, but ultimately Moscow's conception of great power rests on controlled access to geographic space they could call solely their own. On the other hand, the Americans continue to be committed to the ideas of the open world, free markets, and economic exchange unimpeded by political roadblocks. Washington has been largely married to such a vision since the 1940s, and

American foreign policy makers have consistently and deliberately pursued policies that encourage maximum openness and interdependency in the world. Clash between these two visions largely

determines the boundaries of Eurasia as a geopolitical construct, and its outcomes will be paramount for the overall direction of its many political processes.

Eurasia between Regionalism and Globalism

Eurasia has undergone significant changes since the collapse of the Soviet Union. There are more sovereign players in the area than ever before in modern times. The massive military machine of the Soviet Union no longer dictates political agenda, and the conflicts in the region and its outskirts are no longer fuelled by desires to undermine authorities in the Kremlin. As Ismailov's thorough research suggests, Eurasia hosts more international institutions of various sorts than ever before in history.¹ Regionalism seems to be predominant in Eurasia; however, regional dynamics cannot be properly analyzed without setting it in the context of today's predominant world order, globalization.

If pursued to their logical ends, globalism would result in all-encompassing interdependence on a planetary scale, while regionalism would lead to the world divided among isolationist and potentially very hostile regions. None of these two absolutes are likely to take place anytime soon, and it would be quite proper to view these two processes through the prisms of (dialectical) unity. Indeed, one could argue that post-Cold War processes of regionalization, in fact, have produced more globally interdependent regions in Eurasia enabling the latter eventually to "create its own integrated and smoothly functioning economy."² According to Ismailov, the Cold War era definition of the Eurasian regions does not anymore "fully reveal the new realities created by the widening and deepening ties and relations among the regions."³ The accent on the post-Cold War shift implies Eurasia being under influence of global changes, and not an isolated entity in global politics.

Papava rightfully points our increasing influence in Eurasia by outside players, primarily the United States.⁴ According to Papava, [the Russian ideological school of] Eurasianism "clearly preaches Russia's revival as an empire,"⁵ as Eurasianism tends to identify Eurasia with Russia. America is seen as a strong counterweight to imperial revival sentiments in Moscow, as Washington does not seem to favor the idea of Eurasia (or "Central Caucasia," as Papava prefers to call it) being dominated by a single country. Papava's systematic analysis suggests that a rivalry continues to take place in Eurasia, with Moscow and Washington pulling a transcontinental blanket in different directions. Perhaps, this rivalry does not exhibit Cold War-style aggressive attitude by the two great powers, and it does not reach a planetary significance, but more minor players of this global region are being influenced by this rivalry, and some of them to a degree that may affect their survival.

Papava is correct identifying Eurasianism with imperialist tendencies in Russia's foreign and defense policies. The Putin administration has borrowed much from the output by post-Cold War

¹ See: E. Ismailov, "Central Eurasia: Its Geopolitical Function in the 21st Century," *Central Asia and the Caucasus*, No. 2 (50), 2008, pp. 7-29.

² *Ibid.*, p. 29.

³ *Ibid.*, p. 27.

⁴ See: V. Papava, "'Central Caucasia' Instead of 'Central Eurasia'," *Central Asia and the Caucasus*, No. 2 (50), 2008, pp. 30-42.

⁵ *Ibid.*, p. 40.

Eurasianists, led mostly by Alexander Dugin and his followers.⁶ The latter have resurrected the Eurasian idea championed by a group of Russian émigré scholars in the 1920s and 1930s. The original group, informally led by political geographer Petr Savitskiy, existed as a loosely affiliated community of immigrants from the newly demised Russian Empire, who struggled to make sense of ongoing catastrophic events in their former motherland. Many notable and distinguished individuals related to Eurasian sentiments at various occasions in the inter-war period, among them Georgii Vassilievich Frolovskiy, subsequently a priest and a distinguished Orthodox theologian,⁷ Prince Nikolai Sergeevich Trubetskoi, a famed linguist and historian,⁸ Georgii Vladimirovich Vernadskiy, a distinguished historian,⁹ Roman Iakobson, one of the most excellent linguists of the 20th century,¹⁰ Constantine Chkheidze, a member of two governments in 1917-1921—the provisional one in Russia, and the Social Democratic one in independent Georgia,¹¹ and I.A. Il'in, a neo-Hegelian philosopher. The common theme shared by these diverse individuals identified Eurasia as a distinct and unique civilization, with Russia as its core. In short, the original Eurasians argued that culturally and in terms of patterns of civilization Russia belonged neither to Europe nor Asia, but constituted a unique civilization called Eurasia. Iakobson, for example, analyzed all Eurasian languages to find commonalities among their phonetics. At the completion of this arduous project he did discover most Eurasian languages (to be precise, the dominant languages that were spoken in the former Russian Empire) to be related, with the exception of Georgian, which the eminent linguist judged to be a completely distinct language.¹²

For post-Soviet Eurasians the old theory of civilizational distinctiveness of Russia transformed into a prime theory of Russian imperialism. This transformation, often xenophobic, and quite literally obscurantist and bizarre, has been enthusiastically endorsed by many. At the academic level, the new version of Eurasianism fundamentally differs from the original, however, as its chief aim is to resurrect imperial might of Russia in opposition to the United States.

International Political Discourse and American Foreign Policy

Most specialists dealing with political debates would agree that political discourse, variably acknowledged as propaganda, public relations campaign, political technologies, etc., tends to be quite different from political realities. Peculiarities of domestic political discourse allow for a better draw-

⁶ For a lengthy discussions of the new Eurasianism, see: A. Dugin, *Osnovy geopolitiki*, ARKTOGEIA-tsentr, Moscow, 1999.

⁷ Frolovskiy contributed to the original Eurasian volume, *Exodus to the East*, published in Sofia, Bulgaria, in 1921. He soon distanced himself from Eurasians, especially after his ordination to priesthood, as late in the 1920s the group was infiltrated and manipulated by the Soviet intelligence services.

⁸ The founder of morphophonology, Trubetskoi worked in Vienna from 1922. In 1938, he died of a heart attack triggered by persecution by Nazi authorities who were irritated by Trubetskoi's criticism of Hitler's lunatic theories.

⁹ In 1927, Vernadskiy accepted a job at Yale University, and moved to the United States, where he remained until his death in 1973. He was son of Vladimir Vernadskiy, a groundbreaking geochemist and mineralogist, who remained in Russia after the 1917 revolution, and died in 1945.

¹⁰ A close friend of Trubetskoi's, Iakobson (sometimes spelled Jakobson) pioneered the development of structural analysis of language, poetry, and art. He championed Trubetskoi's ideas after his friend's premature death. Iakobson fled to the United States with Nazi advances to various parts of Europe, and worked at Harvard University, and the Massachusetts Institute of Technology.

¹¹ Chkheidze wrote about the Bolshevik party and "Russian geopolitics" (see, for instance: C. Chkheidze, "Iz oblasti Russkoi geopolitiki," in: *Tridsatye gody*, ed. by N.N. Alekseev, et. al., Izdanie Evraziitsev, Prague, 1930).

¹² See: R.O. Iakobson, "Doklad: O fonologicheskikh iazikovikh soiuзах," in: R.O. Iakobson, P.N. Savitskiy, *Evrasiia v svete iazikoznaniia*, Izdanie Evraziitsev, Prague, 1931.

ing of such distinctions between propaganda and actual policies; however, similar separations also have to be made in international politics. It should not come as a surprise to historians that when it came to *realpolitik* in Eurasia the Soviet government effectively continued imperialist policies of the Czarist regime—political discourse changed, but real policies did not depart much from the range of older ones. The shift in Russia from Czarism to communism was more dramatic and violent than the one from communism to Russia's current political system. Therefore, analyses of current Russian foreign policies in entirely different light from those exercised by the Soviet leadership lack solid grounds or credibility. Geopolitically Russia has remained in the same corner of the globe, it has just retreated due to reduction in power capabilities and/or revision of Soviet type outlandish global designs.

Similarly, a line should be drawn between American discourse in foreign policy and actual American foreign policies. In terms of discourse, the United States has promoted human rights and protection of democracies since the end of World War II, during which the U.S. became an international power by effectively ending its isolationism in defense and security matters. However, throughout the Cold War and after, the U.S. has frequently made alliances with not so holy players in international affairs, namely those who do not profess democracy or respect human rights. On the other hand, some other non-democracies have not fared as well—for whatever reason some countries tend to experience rains of U.S. made missiles and bombs more than others. At the same time, Washington's support for democratic regimes has not been infrequent, especially for those who profess a pro-American orientation.

Critics have obviously noticed inconsistencies in both Russian and American discourses in foreign policy, with those criticizing Washington being more vocal, as few people have actually taken Soviet/Russian propaganda seriously. Moreover, expectations have always been higher when it comes to the American administrations, mostly because the U.S. democratic regime has been more accountable to the American public who place much value in freedom and justice. General desire to believe in foreign policies guided by democratic ideals, perhaps, has also played role; then again, real political considerations tend to trump higher ideals whenever national interests enter foreign policy calculations.

However, neither American nor Russian foreign policies have been inconsistent—far from it, since the end of World War II these two major powers have distinguished themselves with more consistent application of their foreign policy preferences than most other countries in the world. The Soviets, and now the Russians, have organized their international worldview around such notions of the imperial era as spheres of influence, buffer areas, and lines of division. This type of international vision treats international interactions as a kind of zero-sum game, in which one party's victory would necessarily equal to another's loss. Such perceptions that used to be predominant in world politics for most of the modern era up until the end of World War II led the world to many disasters, the most intolerable among them being the two world wars. Empires guided by zero-sum assumptions necessarily clash with each other not willing to concede "points" to real or imaginary competitors. As correctly analyzed by John A. Hobson in 1902, imperialist policies informed by control and domination produce military conflicts as global empires compete for ever-diminishing resources, especially in the form of colonial real estate.¹³

Most importantly, control and domination implies exclusion and isolation of others, as others are perceived to be active or potential competitors. The world divided among isolationist world powers cannot be a pretty sight as such a world in the first half of the 20th century led to world wars, the Great Depression, and all kinds of other military and economic calamities. At the Paris Conference in

¹³ Lenin's famed theory of imperialism was largely based on Hobson's 1902 book *Imperialism*, which also influenced Trotsky, and many other Marxists.

1919, the U.S. President Woodrow Wilson tried to convince his European counterparts to embrace more transparency and openness in international transactions; however, the U.S. Senate firmly in isolationist camp and major European powers still strongly guided by their imperial urges, President Wilson's ideas remained nothing but a noble design.¹⁴ Emerging as an overwhelmingly dominant power from World War II, the United States resurrected Wilson's vision, and firmly committed itself to steer the world away from imperialist attitudes and to a more interdependent and open world. This commitment to the open world system continues to remain true today, but nonetheless it is being challenged, more specifically, in Eurasia.

Resurrecting Mackinder's Pivot

Who would have thought that Mackinder's vision of the world, originally proposed in 1903, and since harshly criticized many times throughout the 20th century, would acquire new relevance more than 100 years after its inception? For decades, Halford John Mackinder's geopolitical analysis has served as the most succinct summary of the imperialistic world. In Mackinder's famous dualistic system the world got divided between the land-power and the sea-power, the landsman's world and the seaman's world. In his understanding these two worlds naturally oppose each other, but they still are the two cardinal parts of the same world organism. Mackinder argued many things, but not always consistently. He warned against geographic determinism, but himself came up with the best known geographic dictum ever:

*Who rules East Europe commands the Heartland:
Who rules the Heartland commands the World-Island:
Who rules the World-Island commands the World.*¹⁵

The Heartland for Mackinder was the geographical space roughly equivalent to the territory of the Soviet Union. In the beginning of the 20th century, when first developing his Heartland-Rimland rivalry theory, Mackinder expected that in the new century the Heartland would assert itself as a more dominant force. One of the factors that informed his conclusion was the rapid development of railroads. Mackinder forecast this form of transportation to be so crucial in the 20th century, so that it would change trade patterns and development of remote regions, as well increase strategic-military strength of land-based powers. His vision conveyed an anticipation that post-war world would remain as it had been before: divided among world empires and ruled by zero-sum game calculations.

Post-World War II developments, especially in the areas of aerospace and U.S. foreign policy, undermined Mackinder's expectations and predictions. The United States, as the world's premier power, resolved to push forward with a post-imperialist vision. The invention of nuclear weapons, jet engines, developments in long-range military aviation, missile technology, space technology, nuclear submarines and aircraft carriers, etc. ended the dominance of land-based transportation systems in strategic considerations. Hardwired systems of defense and transportation no longer allowed empires (British, French, Soviet, etc.) to run their parts of the globe with impunity, to

¹⁴ Margaret Macmillan's *Paris 1919: Six Months That Changed the World* is perhaps the best analysis of the post-World War I peace conference and its results (Random House, 2003).

¹⁵ Sir H.J. Mackinder, *Democratic Ideals and Reality: A Study in the Politics of Reconstruction*, New York, Henry Holt and Company, New York, 1942, p. 150.

ignore the rest of the world, and successfully keep others out. The open world promoted by the United States, and guided by innovation and technological know-how slowly prevailed over the old hard-wired empires of Europe. Washington made sure through its force projection capabilities that its allies had access to vital resources, especially cheap oil, and that they were also allied militarily—economic and military interdependence made military aggression among U.S. allies, especially those in the West, almost obsolete.

The last one to fall was the Soviet/Russian Empire; however, within ten years or so, Mackinder's old ideas of land-based hardware being important in international power struggle made a come back of sorts. It did not take long for the Putin administration to realize that the pipelines were the new Mackinder's railroads of the 21st century. As economic and military survival currently heavily depends on the availability of cheap oil, and natural gas, and Eurasia boasts substantial quantities of it, the oil and natural gas pipelines, as the main means of their delivery become of paramount importance, and once again give land-based powers an upper hand.

Imperialism and Superimperialism

Here it may be useful to remember an almost century-old debate between former friends and subsequently enemies, Vladimir Lenin and Karl Kautsky. The two had a breakup during World War I, as the Russian eagerly promoted civil war, and the German called for support of the fatherland. Besides their policy differences in terms of what to do during a global conflict, Lenin and Kautsky also engaged in theoretical discussions about the future of social democracy, and the world. They both agreed that they were witnessing the era of global imperialism at its most developed stage; however, they differed on the issue what would follow next.

According to Lenin, the historical period of imperialism would be inevitably followed by socialism, and he theorized about the issue in his well-known *Imperialism, the Highest Stage of Capitalism*. Kautsky disagreed on the account of inevitability of socialism after imperialism. He suggested that imperialism may not be the last stage of capitalism after all, and imperialists may well come up with an agreement of sorts or a union of imperialists, superimperialism, during which a competition among them would cease and wars would be replaced by peaceful coexistence and cooperation among the empires of the world. As Lenin quoted Kautsky writing about it in a German newspaper, superimperialism would mean "the joint exploitation of the world by internationally united financial capital."¹⁶

Lenin, of course, brushed aside such suggestions, and blasted Kautsky's ideas as "super-nonsense."¹⁷ Lenin's critics would dismiss his ideas of imperialism's revolutionary transformation into socialism in equally strong terms. However, both of those predictions did make sense, at least to some extent. Lenin and his followers soon forced a Russian version of "socialism" over the world for most of the 20th century. In the end, Russian socialism turned out to be Russian imperialism with a different name. Unlike old Czarist imperialism, it developed global ambitions and capabilities, subsequently resulting into the Cold War with the United States.

The ideas of imperialism and geopolitics emerged in European thought around the same time. Hobson, a left-leaning British political economist, championed "imperialism" in his 1902 book, while

¹⁶ Lenin addresses his disagreements with Kautsky in Chapter VII entitled "Imperialism as a Special Stage of Capitalism" of his *Imperialism, the Highest Stage of Capitalism*.

¹⁷ *Ibidem*.

Rudolf Kjellén, a right-wing Swedish politician and political scientist, first used the term *geopolitik* in 1899 to describe new relations among dominant powers. Kjellén, a great fan of everything German, saw the international system of states dominated by the law of survival of the fittest, with empires being entities of natural evolution of the states engaged in struggle for survival. Heavily influenced by Darwinian ideas, Kjellén imagined states behaving just like biological organisms, a view fully developed in his 1917 book *The State as a Life-form*.¹⁸ He defined *geopolitik* as the study of the state as a geographical organism manifesting itself in space.¹⁹ In short, he was both biological reductionist and geographical determinist, but with such ideas he influenced many intellectuals in Europe and elsewhere, among them Halford John Mackinder.²⁰

Whether on the left or the right wing of politics, European scholars were reacting to significant changes in international relations: after the 1884 Berlin Conference, when European imperial powers agreed on the final division of Africa, there was no more white spot left on the world map where empires could expand. By the end of the 19th century, every inch of land where people resided and pursued some sort of economic activity, was claimed by few existing empires and nation-states. At the same time, the empires still needed to expand into new areas and protect their areas from international competition since their economic growth depended on quantitative growth in markets for resources, labor power, and consumer products. Being mercantilist, isolationist, and mostly xenophobic, they could not develop otherwise, which meant they had to fight with each other in order to further survive and prosper. Therefore, some intellectuals criticized such circumstances (Hobson, Kautsky, and others), and anticipated socialist revolutions (Lenin and his allies), while others started advising best strategies for imperial battles (Kjellén, Mackinder, and others). In the end, ideological biases did not matter as much as both sides read situation well: the existing balance of power did lead to two world wars within 40 years.

Kautsky's idea of superimperialism stands out among those debated 100 years ago since it proved to be truly visionary—at the end of World War II the United States and its allies started to reorganize the international system along very similar lines. The U.S. dollar became world's main reserve currency, and remains such to this day. The United Nations, and the Bretton Woods institutions, such as the World Bank, and the International Monetary Fund were designed to avert major global military and financial catastrophes. Washington pushed toward a more open world, based on transparency, open trade, and interdependence. The old world divided among few mostly European empires started to transform into a new open and interdependent world.

The system worked, but Kautsky's vision of superimperialist world did not fully materialize until 1991, when the last mercantilist empire, the Soviet Union collapsed. From the beginning of the 1990s, the new world free of major empires started to form, and the process became known by the name of globalization. In the second half of the 20th century, the Soviet Union acted as the chief adversary and opponent of America's open world—Moscow preferred to keep its imperial vision and policies intact afraid that in an interdependent world the semi-autarkic nature of the socialist regime would be lost. When the Soviet leadership gave up their opposition to a more stable and peaceful open system championed by the U.S., the Soviet Empire soon dissolved and joined in the rest of the world in now truly globalized game of free trade and interdependent finances.

American efforts to fund the world reconstruction and trade after World War II were not entirely guided by altruistic sentiments, but to a large degree such policies were deeply rooted in U.S. self-

¹⁸ The book was published in German: R. Kjellén, *Der Staat als Lebensform*, S. Hirzel, Leipzig, 1917.

¹⁹ According to Kjellén, "die Geopolitik ist die Lehre über den Staat als geographischem Organismus oder Erscheinung im Raum" (R. Kjellén, op. cit., p. 46).

²⁰ Mackinder was also influenced by German political geographer Friedrich Ratzel, another champion of Charles Darwin's ideas in social science, but his ideas about international relations were rather more sophisticated than those of Kjellén.

interests. In the 1940s, it became clear that there was no real alternative to President Wilson's 1919 vision, as the world left to the empires, which were by nature autarkic, militaristic, aggressive, was destined to undergo new global conflicts with new ones being bloodier and more damaging. It also became clear that new military technologies, such as submarines, strategic aviation, and rockets eroded America's traditional pillars of isolationism in military affairs, Atlantic and Pacific Oceans. The United States could no longer stay away from massively destructive global conflicts, and could not support the world run by empires, as it would lead to a new world war. The only remaining alternative was to become a world player, promote openness, transparency, and slowly push the remaining empires over to the dustbin of history.

In 1945, Washington could start undertaking such a massive enterprise since it had two major advantages. One, the U.S. ended the war as the richest nation in the world—the largest economy in the world controlled about two-thirds of world's gold reserves. Big pockets were paramount in post-war rebuilding efforts and, most importantly, to create pegged exchange rates between the U.S. dollar and the world's currencies, a system supported by the massive American gold reserves.²¹ Two, the United States possessed military capabilities with truly global reach. The importance of the latter condition cannot be underestimated as it has been absolutely essential in forming the post-imperialist world.

Access to Resources: Rivalries Remain

Power and might of empires has historically rested on their ability to control access to strategic resources. Mackinder's vision of Eurasia being the pivot of global power rested on the fact that the Russian Empire in the beginning of the 20th century possessed every strategic resource of the day, mainly coal and oil, and the means to transport them at great distance, railroads and river barges. In other words, the main Eurasian power needed no other country's permission or good will to develop its own military and industrial infrastructure. The Bolsheviks took every advantage of this fact—under Stalin the U.S.S.R. emerged as the only autarkic great military power in the world. Today's Russian Federation remains the only self-sufficient great military power—everything needed for Russia's defense and security needs, from long-range bombers to uniforms, is produced domestically. Most importantly, Russia's military autarky includes fuel, oil and power needed for military operations.

This unique feature allows Russia not to seek military alliances with others, and not to be dependent on others for its own defense needs, at least in theory. Such self-sufficiency makes today's Russia different from the one in Mackinder's times, when the imperial government was in search of alliances with Western European powers. In a sense, Mackinder correctly predicted Eurasia becoming the pivot of global power, but for wrong reasons. In Mackinder's times, imperial self-sufficiency was the highest value in the international system, and the great English political geographer saw the world from this angle. Autarkic values are no longer paramount in international relations, at least for majority of world powers; however, unlike all other empires of the beginning of the 20th century, Russia still maintains imperial qualities routed in its self-sufficiency in military affairs.

The Bolshevik rulers made sure that old dependency of the Russian Empire on alliances was no longer important for the survival of their regime. They achieved this by rapid industrialization

²¹ The Bretton Woods financial system ended in 1971, when President Nixon removed the U.S. from this post-war arrangement, and world currencies, by default became floated.

and militarization of the country. The invention of nuclear bombs and strategic arms did the rest. A formidable arsenal of nuclear weapons allows Russia to remain confident in its ability to deter potential aggression from major world powers. However, paradoxically, it more than ever in recent history has become vulnerable to challenges posed by more minor players, including insurgents on its soil. Smaller powers could undermine Russia's strategic strength by poking holes in its defenses, including morale of the armed forces, and also by injuring transportation systems, economic health, and draining its budget of precious financial resources. The Eurasian colossus remains formidable as a global power, but as a regional power it has declined since the collapse of the Soviet Union.

This decline and vulnerability is what informs overtly aggressive foreign and defense policies of Moscow toward its smaller neighbors, such as Georgia, Moldova, and Ukraine, and its genocidal war against the Chechen insurgents. Naturally, defense and security strategies of smaller countries do not coincide with those of Russia, as more minor players cannot afford to stand alone in international power calculations, and therefore they seek alliances, closer links or interdependency with similarly oriented nations. Such a disparity in international orientation with its former co-members of the Soviet Empire makes Moscow uneasy and anxious. Russian security and defense planning continues to stem from the older Soviet standpoint of military sufficiency, and as any development toward more international military interdependence at its borders contradicts the norms of autarkic security, Moscow tends to respond aggressively, and leans more toward conflict than cooperation.

Fundamentally, Moscow has a geopolitical dispute in Eurasia with Washington, as the United States pursues its policies of the open system geared toward a more transparent and interdependent world, the policies consistently followed by the American administrations since the 1940s. Russia, on the other hand, carries on with the virtues of the closed global regions, essentially an imperial view of international relations, based on the assumption of predominance of zero-sum games in world politics. In other words, the United States keeps on pushing toward more openness in Eurasia, as it did with the United Kingdom and France in the 1950s and the 1960s, and the Soviet Union from the 1940s to 1980s, while Russia insists on having Eurasia closed for outside actors.

C o n c l u s i o n

None of the great powers contesting their preferences for Eurasia has a superior geopolitical advantage, although the vision of the open world embraced by the United States in the 1940s has yielded substantial benefits from dissolving global empires to making the world more stable and secure, and looks more promising overall. On the other hand, the Russian Federation with its control of vast pipeline networks in the former Soviet Union seeks to reassert its undisputed imperial dominance in Eurasia. Smaller players struggling to remain independent and embrace American-promoted institutional forms of military and economic interdependence, will try to ally themselves with the United States, expecting more benefits from such partnerships than from subjugated existence. However, currently Washington finds itself militarily overstretched and financially challenged, which makes it difficult to effectively counter resurgent Russian imperialism.

Since the end of the Cold War, Americans have succeeded by making Eurasia more open and interdependent with the rest of the world. A reaction by Russia by the means of monopolization of oil and natural gas pipelines in Eurasia, as well as oil and gas industries, gives viability to Moscow's vision of a closed Eurasia. It is unlikely, however, for Moscow's vision for Eurasia to prevail in the end—Russia has a number of weaknesses that would undermine its long-term survivability

as a closed world power. The most significant of these weaknesses is its heavy dependence on crude oil for both economic well-being and military self-sufficiency—as Russia’s crude oil reserves decline, and their decline is as inevitable in Eurasia as elsewhere in the world, Moscow will not be able to maintain its militarily self-sufficient defense posture. Second, smaller opponents to Russian domination in Eurasia, who find themselves fighting for survival, will not give up without resistance and this would considerably deplete Moscow’s financial resources and political will. Third, a vision of the open and interdependent world, motivated by innovation and human ingenuity will most likely continue to prevail over a vision of the world locked in a global confrontation and hard-wired for zero-sum games.

GEOPOLITICAL LANDMARKS: CENTRAL ASIA TODAY

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The year 2007 was a time of geopolitical changes for the region, some of which remained latent but completely analyzable. The geoeconomic factors and the worldwide financial crisis (a crisis of liquidity and defaults as well as instability in the international financial markets), the rising prices for basic commodities such as energy resources and foodstuffs, the economic growth in Russia, China, and India, and the rising importance of the energy security issue, etc. inevitably affected the situation in Central Asia.

The 2007-2008 crisis began in the mortgage system of the United States and spread like wildfire to the global banking and financial systems. It caused an economic decline in the United States and, by the end of 2007, reached the euro zone. Depreciation of the world’s main currency has hit the global economy; the value of dollar savings is steadily decreasing while export incomes converted into national currencies are losing their value. Transborder investment projects are at risk.

Strange as it may seem the states with currencies that could run the risk of gaining value have the largest dollar reserves. This fully applies to the tenge of Kazakhstan. Today, there is the danger of an uncontrollable and highly uncertain situation developing in the global economy that could continue for a long time to come. Countries and regions are exposed to considerable cumulative effects in the political or even military-political spheres. What is going on in the world today may hit the Kazakhstani economy either in the financial or the real sector: a financial shock spreads faster than a shock in the consumer sphere, which politicians should also take into account.

The United States is steadily losing control over its own national currency; it is no longer able to keep down inflation without raising the interest rate. The latter invites liquidity but interferes with

economic growth. Translated into terms of the global financial order, this means that the dollar is on the verge of losing its anchor currency status. This may happen much earlier than expected. The rest of the world will be hit: the universal currency served all and helped maintain international stability.

Deprived of a peg currency, the global financial system might slide into a crisis. It is commonly believed that the euro may serve as an adequate alternative to the dollar, but its survival is not guaranteed: even the lowest global inflation might cause serious problems. This has already created geopolitical tension, which, along with U.S. protectionism, might undermine the world economy and provoke a global recession.

In the changing global economic context the list of major geopolitical actors involved in Central Asia remained the same, even though they readjusted their preferences and involvement. They are the West (represented by the United States, the European Union, and Japan), Russia, China, and the Islamic world. India has been demonstrating its mounting interest in the region for some time. The West (America and the EU) is changing its strategies in Central Asia because of the growing importance of the energy issue heated up by the rising oil and gas prices, its rapidly increasing shortage of fuel, and just as rapidly unfolding competition over resources and transportation routes. The West is working toward making Central Asia and the Caucasus part of its system of diversified fuel transportation. Japan's interest in the uranium industry of Kazakhstan and other Central Asian republics is mounting by the hour.

In the security sphere NATO is developing into an important factor in Central Asia. The Bucharest NATO Summit clearly demonstrated that the North Atlantic Alliance has never let Eurasia out of its sight despite the temporary setback experienced by Georgia and Ukraine. While Moscow and the others were watching Kiev and Tbilisi, few noticed that Kazakhstan had moved closer to MAP, which means that it is not far behind these two republics. In the near future the opposing sides will clash over Kazakhstan in an effort to push it toward or away from NATO. On the whole NATO will remain highly visible in the region's geopolitical destiny and in ensuring its security.

The NATO Summit of April 2008 in Budapest convincingly demonstrated that security in the Atlantic Alliance and in Eurasia is interconnected. Even though Georgia and Ukraine were not invited to join the line it became abundantly clear that NATO affects, to the strongest extent, the security system in Central Eurasia. In view of the Afghan factor this role looks even more important, especially in Central Asia. Sooner or later the consistent penetration of the Western security structures into the continent's interior will raise the question of cooperation between the Alliance and two regional structures (the CSTO and SCO).

Western strategists have not yet sorted the SCO out: it remains to be seen whether it is an economic alliance, a military-political bloc, or something else. The extent to which its aims are realizable is still unclear. The West is even more concerned about whether the SCO (or, rather, the Russia-China tandem) threatens the sovereignty and independence of the Central Asian states. Translated into clear terms this reads: To what extent do the Central Asian countries make independent decisions within the SCO? Evan Feigenbaum, Deputy Assistant Secretary for South and Central Asian Affairs, was much more direct: "What exactly is the relationship between two huge continental powers—Russia and China—and the Shanghai Cooperation Organization's smaller, but nonetheless fiercely proud and independent, Central Asian members?"¹

Recently, the West has hinted that it knows the SCO is not an anti-NATO structure. This is explained not only by concern over the future of the Central Asian countries but also by a clear understanding that being involved in the SCO the Central Asian members cannot accept either Russian or Chinese domination and will never agree to part with even a few of their sovereignties. Seen from

¹ E. Feigenbaum, *The Shanghai Cooperation Organization and the Future of Central Asia*, The Nixon Center, Washington, D.C., 6 September, 2007.

Central Asia the West and its institutions look like an alternative. This is how the Western strategists argue. Washington does not want the SCO to acquire an anti-American element: America is fighting in Afghanistan, the SCO's backyard.

Washington has been aware for some time that each of the SCO members is pursuing a balanced and friendly, or at least not hostile, policy on the bilateral level. This is true of Moscow and Beijing and means that Washington can expect similar behavior from the organization as a whole. It argues that since the United States is requested to give certain guarantees related to its policies in the region, the U.S., in turn, can expect similar guarantees for itself.

It should be said, however, that the United States looks at the region through the prism of its presence in Afghanistan and has to pattern its policies on it. At the same time certain developments around the SCO cannot but cause concern; this is true, first and foremost, of Iran's efforts to join the organization as a full-fledged member. The West does not like the attempts to present the SCO as an energy club of sorts, which hints at the structure's cartel future.

Today, new overtones can be detected in how the American strategists assess the regional situation: China is gaining weight in the region and in Kazakhstan, which cannot but breed concern that could rapidly develop into strategic apprehension.² If this concern moves even higher, to the conceptual level, the United States might revise its attitude toward China's role in Central Asia. This will affect, in the most radical way, the entire range of American policies in the region (Russia, the SCO, and in other respects). We cannot exclude the so far vague ideas about America's SCO membership.

The American analytical community says the following about the relations between Central Asia and Afghanistan: since the republics regard balanced relations with all large powers as their strategic aim they should be interested in America's success in Afghanistan. In turn, the United States, which is trying to stabilize Afghanistan and push it toward economic revival, needs the region's states and their businesses as economic partners and sponsors of Afghanistan. The United States is placing its stakes on wider regional cooperation in which Kabul should also be involved.

So far, Afghanistan remains one of the key factors of Central Asia's military-political security. Today relative stabilization is alternating with intensified hostilities; Afghanistan is the world's largest producer of hard drugs, the bulk of which is moved across the Central Asian states.

This is forcing NATO to build up its military presence, widen the zone of fighting, and cooperate with Russia and the CIS in transportation of its cargoes to Afghanistan, which takes the problem outside the region and affects security and the strategic situation inside the CIS as well as relations among its members.

The April 2008 NATO Summit in Bucharest and public statements of Western leaders attracted attention to the current situation in Afghanistan. The NATO members and particularly the United States know that radical changes are overdue. America is probably getting ready to launch a new offensive at the Taliban; much is being done to strengthen the Afghan army to use it as the pillar of the state's political system. In the next five or six months Washington will launch a wide-scale operation in the southern and eastern provinces and in the Southern Waziristan Province of Pakistan. This is what the new strategy of the Western coalition in Afghanistan suggests. It has been underway since late 2007 and was officially approved by the latest NATO summit.

Today nobody expects Hamid Karzai to tighten his grip on the country and put an end to the political instability, therefore Kabul has to increase its armed forces many times over within the shortest time possible to turn the army into the state-forming element. In the future, however, the newly acquired might of a country that has no hydro- and energy resources to speak of might develop into a regional threat.

² For more detail, see: A. Cohen, "After the G-8 Summit: China and the Shanghai Cooperation Organization," *The China and Eurasia Forum Quarterly*, Vol. 4, No. 3, February 2006, pp. 51-64.

Washington is helping Afghanistan to build up its army in every way possible. The U.S. and the other Western states that failed to live up to their promises to reconstruct post-Taliban Afghanistan are trying to fill the gap by encouraging integration with the region's north; they have already offered several projects in the expectation that the Central Asian republics will help Afghanistan or even integrate with it. In view of the already obvious factors and trends this might have been dangerous for the Central Asian states. At the same time, they would like NATO to stay in Afghanistan to serve as the key factor of military security.

Today, there are two opposite opinions about how the conflict in Afghanistan should be resolved: either all foreign forces should be removed to let the local people sort things out in order to achieve peace or the Taliban should be completely routed to achieve peace and stabilization. The Pentagon intends to make its military bases in Afghanistan a permanent feature in order to secure the officially declared aims (democracy and liquidation of international terrorism and drug production). Political analysts point to other, less visible aims: opposition to the influence of Russia, China, and India, bringing more pressure to bear on Iran, and creating a toehold to expand access to the Caspian energy sources.

It should be said that the interests of the major world actors (America, China, and Russia), which have little in common on the global level, completely coincide when it comes to the situation in Afghanistan: they need stability at all costs. Kazakhstan and the Central Asian republics would like to see NATO in Afghanistan for a long time to come in order to stabilize the situation. In the future, however, the West will inevitably invite the Central Asian countries to take part in reconstruction, which will develop into a difficult political and economic dilemma for them.

The Central Asian republics want the territory of the former Northern Alliance turned into a security belt to which they and Russia should particularly extend their assistance. A large-scale U.S. military operation will not be limited to Afghanistan—it will spread to Pakistan and tip the military-strategic balance in Southern and Central Asia. These developments will inevitably affect the interests of India, China, and Russia. In fact, the present intention of the Pentagon to set up a large and strong National Army of Afghanistan might produce unexpected results. The regional balance of forces will be tipped in favor of Kabul, which might use its newly acquired force to impose its conditions on its neighbors, including the Central Asian states.

The American analyst community is convinced that the time has come for the Central Asian states and their elites to independently formulate their national interests, new initiatives in the sphere of regional integration and, on the whole, show much more boldness when it comes to defending their sovereignty and ambitions on the international arena (this relates first and foremost to their relations with Russia and China). In this case American support is guaranteed.

The European Union has radically revised its Central Asian policy and the way it cooperates with the regional structures (including the SCO). A recent document—*The EU and Central Asia: Strategy for a New Partnership for the Years 2007-2013*—dated 31 May, 2007 identified the following aims (1) stability and security of the regional countries; (2) lower poverty level and higher standard of living within the Millennium Development Goals; and (3) stronger regional cooperation among the local states and between them and the EU, especially in the energy, transportation, higher education, and environmental protection spheres.³ The document points out that Central Asia, which serves as the link that keeps Europe and Asia together, belongs to the OSCE (that is, to the European political expanse). The European Union and the Central Asian countries have the common aims—maintaining stability and enjoying prosperity. It says that the member states will support a regular regional political dialog at the foreign minister level; start a European Education Initiative; start an EU Rule of Law Initiative; establish a regular, result-oriented human rights dialog with each of the Central Asian states;

³ For more detail, see: *The EU and Central Asia: Strategy for a New Partnership*, PRC, Brussels, 2007, 20 pp.

and conduct a regular energy dialog with Central Asian states. The EU's intention to enter into an open and constructive dialog with regional organizations and to establish regular ad hoc contacts with the EURASEC, SCO, CICA, CSTO, and CAREC is equally important.⁴

In its relations with the European Union Kazakhstan should take into account that the EU might lose its position as the main economic center of Eurasia; the EU countries are developing into magnets of migration that brings about deep-cutting changes in their social makeup and their industrial structure. At the same time the European Union will depend on Eurasian energy resources for a long time to come.

The European neighborhood policy and the EU strategy in relation to the Central Asian republics should be treated as an independent issue. Just like Russia and the United States, Brussels is sparing no effort to strengthen its position in Central Asia. Its strategy in the region is related to the energy sphere, oil and gas production and transportation, and energy security for the European Union. It feels free, at the same time, to discuss democracy and human rights issues; this means that the new strategy follows the old line which was expected to give the West certain advantages over the post-Soviet states and arm it with instruments of pressure.

The EU's stronger regional positions might help the Central Asian republics to shed some of America's and Russia's political influence and establish much stronger economic relations. Outside the CIS the European Union is the largest importer of Central Asian energy products; unification of the energy systems will permit the regional energy exporters to reach, in the mid-term perspective, a stable energy market.

Some Western analysts argue that the EU has secured none of its strategic aims of the 1990s: poverty is still the region's outstanding feature; there is still a lot of resistance to the reforms in Uzbekistan and Turkmenistan; the human rights issue and the inadequate level of democracy remain on the agenda while the EU's energy interests are still vulnerable. No progress was registered in the security sphere either. The inference is obvious: to regain the "region's confidence," the EU should change its strategy. In the security sphere it should assume the role of a strong force rather than of a "toothless paper tiger"; in the energy sphere Europe should demonstrate more confidence, while in the sphere of democracy it should exercise realist approaches. The European Union is advised to coordinate its strategy with other international actors, meaning NATO and the OSCE. On the whole, the EU's foreign policy, strategy, and methods are failing in Central Asia and elsewhere for the simple reason that this complicated geopolitical and geoeconomic mechanism lacks a single decision-making center.⁵

All sorts of geoeconomic projects, related mostly to the transportation routes of energy resources, figured prominently in the geopolitical maneuvering around Central Asia. Today American policy and strategy in this sphere are habitually demonized, yet impartial consideration of the geoeconomic and geopolitical realities accepts them as the demand of the times. If the Soviet Union had survived it would have been pushing similar projects and would not have been shy to use force. It would have been especially active in gaining control over the markets and transit routes in Turkey, Iran, Afghanistan (if it still retained its grip on the country), and South Asia.

The Caspian pipeline project is stalling mainly because there is another pipeline project on the table, the so-called Trans-Caspian pipeline, going across the Caspian via the South Caucasian states to Turkey and Europe. Ashghabad is using it for haggling over gas prices for Russia and lower transportation tariffs across its potential partners for itself.

⁴ For more detail, see: A.J.K. Bailes, "The Shanghai Cooperation Organization and Europe," *The China and Eurasia Forum Quarterly*, Vol. 5, No. 3, 2007, pp. 13-18.

⁵ For more detail, see: A. Warkotsch, *Die Zentralasiatische Politik der Europäischen Union: Interessen, Strukturen und Reformoptionen*, Peter Lang, Frankfurt a.M., 2006, 253 pp.

Today it has become abundantly clear that the importance of hydrocarbon fuel will rise and Kazakhstan can profit from this. The republic, however, should start producing its own nuclear energy in cooperation with the Russian Federation and its Central Asian neighbors, encourage hydropower in the region, and introduce energy-saving technologies.

Very much as usual, S.F. Starr of the Central Asia-Caucasus Institute (the John Hopkins University) has offered bold ideas about the role the United States can play to change, in the most radical way, the configuration of Eurasian cooperation and its nature. He admits that the new transportation projects promise local and transnational partners new and tempting financial advantages. It is not surprising that the project head insistently suggests that the U.S. State Department institute the post of ambassador for trade with Greater Central Asia. S.F. Starr asks the logical question: If the idea of inner-continental trade is good why does it remain unrealized? And answers: first, the project depends on too many disjointed elements (by this he means legal, tax, organizational, banking, managerial, technological, and human—personnel—problems as well as security and communication issues). There are too many participants (by this he means transit countries) with varied, if not contradicting, state, trade, and economic policies that have very little in common with the accepted standards and rules. In this context China has already demonstrated its much greater flexibility and readiness to accept the required norms than highly centralized Russia.⁶

The American author does not question his country's responsibility for the Eurasian system of transportation corridors and believes it should be involved in it by all means. He is convinced that Washington should support such projects mainly because they contribute to the Greater Central Asian countries' independence in the interests of the United States. Stronger trade contacts within the continent will help resolve the old conflicts (the one in Kashmir, for example) and stabilize Afghanistan.

Russia, as the key geopolitical actor in Central Asia, deserves closer attention. So far it has not been easy to analyze its politics because of its political diarchy. It should be said, however, that Dmitry Medvedev demonstrated to one and all that his policy in relation to Kazakhstan follows the course laid by Putin. This is true in many other respects. It can be said that on the whole Vladimir Putin's descendant is continuing his line on the international arena and Central Asia as its part: a balancing trick on the brink of another Cold War (the Kosovo issues, ABM system, and the non-recognized states); bitter rivalry over pipeline transportation routes; and fierce resistance to NATO expansion.

In Eurasia the Russian Federation still attracts at least some of the states: Belarus, Ukraine, Kazakhstan and, to a lesser extent, Uzbekistan. The core that consists of these states and Russia creates a field of attraction for smaller European (Moldova) and Central Asian states (Kyrgyzstan, Turkmenistan, and Tajikistan). In an effort to integrate within the existing trade structure with other countries (former Soviet republics), Russia is pushing the energy sector to the forefront. So far, it cannot be transformed into a driving force behind interstate cooperation for several reasons, primarily because of the gap between domestic prices and prices beyond the Russian borders.

Moscow has abandoned its efforts to reintegrate the post-Soviet expanse on the basis of universal principles as having no future. While cementing bilateral relations Russia tried to pool corrective efforts in order to address the most urgent of tasks. Such are the CIS Antiterrorist Center and the Collective Rapid Deployment Forces, as well as triple cooperation among Russia, Kazakhstan, and Azerbaijan on the Caspian issue.

The expert community believes that today Russia's agenda in Central Asia consists of three points: "soft power" (cultural influence and the continued presence of the Russian language); the Russian and

⁶ For more detail, see: *The New Silk Roads: Transport and Trade in Greater Central Asia*, ed. by S.F. Starr, Central Asia-Caucasus Institute & Silk Road Studies, Washington, D.C., 2007, 510 pp.

Russian-speaking diaspora, and migration. On the whole the Russian political elite, which is disunited on many other issues, tends to regard Russia's presence (domination) in Central Asia as a positive and indispensable factor: each of the political groups has reasons of its own to support it.⁷

In Central Asia Russia has concentrated its efforts on Kazakhstan, which was fully confirmed by the fact that Dmitry Medvedev, as the newly elected president, paid his first visit to Astana. It seems that under the pressure of domestic and foreign political factors Russia will shift the weight of its geopolitical efforts to the West (the European part of the CIS and Europe) for the simple reason that it has close economic contacts with it and its security and modernization depend on it to a great extent. Subjectively, this bias might be promoted by the personality of the new Russian president. We should expect, therefore, that Moscow will pay relatively less geopolitical attention to its eastern policies (which include China, the APR, the SCO, Southern and Central Asia).

The response from the other key geopolitical player is easy to predict: Beijing will move in to fill the gaps left by Moscow, however the process will not be smooth. China has its own problems which will not remain long on the back burner. Mounting difficulties will affect everything, including China's Central Asian policies. They will be affected by many factors, including China's relations with Russia and the West (with the future U.S. administration in particular), the balance of forces in the SCO, the situation on the energy markets, etc.

So far experts have identified several stumbling blocks in trade and economic relations between China and Central Asia: (1) from the very beginning they have been far from equal, with China's obvious predominance; (2) the border points and their role in promoting trans-border trade are a main problem; and (3) Chinese investments in the regional economy are a cause for worry. China is interested in ferrous and non-ferrous metallurgy, hydropower, the transportation infrastructure, and telecommunications. There is another, fourth problem—relations in the sphere of hydrocarbons. Experts believe this to be one of China's key regional strategies, which suggests several alternatives. There is a commonly shared opinion that China will play the decisive role in the future of Central Asia, a landlocked region. In fact, in the 21st century China will play the role Russia played in the 19th and 20th centuries.⁸

Beijing is steadily building up its economic presence in Central Asia by carrying out all sorts of projects (pipeline, transport and communication, trade, economic, construction, and investment) with each of the Central Asian states. Its involvement is clashing, to an increasing extent, with the interests of Russia and the United States in the context of rivalry over resources and the main pipelines.

The Chinese economy is rapidly acquiring global dimensions, the results of which are still hard to predict. In fact, an economic superpower is being born before our eyes. In its relations with China as a future economic superpower Kazakhstan has to take into account the fact that China is not merely the largest exporter but also a market for Kazakhstani commodities and investments. This means that in the future, when Kazakhstan accumulates enough money, China might become for Kazakhstan what the United States is for Canada, the EU countries, and Australia: an attractive investment market.

What is going on inside the region? The accumulating changes will gradually cause qualitative shifts. Kazakhstan will remain the leader even though the current financial storms make this harder. Uzbekistan is openly (and other republics latently) opposed to Astana's efforts to resume regional integration (cooperation) processes.

⁷ For more detail, see: M. Laruelle, *Russia's Central Asia Policy and the Role of Russian Nationalism*, A Joint Transatlantic Research and Policy Center, Johns Hopkins University-SAIS, Washington, D.C., 2008, 79 pp.

⁸ For more detail, see: S. Peyrouse, *The Economic Aspects of the Chinese-Central Asia Rapprochement*, Central Asia-Caucasus Institute & Silk Road Studies, Washington, D.C., 2008, 73 pp.

Kazakhstan, as one of the driving forces behind the integration processes across the post-Soviet expanse and because of its geostrategic importance, is Russia's key strategic partner in Central Asia. Its energy, transport, transit, and military potential, as well as potential in other spheres, has not yet been fully tapped in the interests of both countries. It should be borne in mind that in the present geopolitical situation in Central Asia Russia will have to work harder than before to maintain and develop its allied and partner relations with Kazakhstan.

The relations between Kazakhstan and Russia are different from Russia's relations with the other Central Asian and CIS countries. On the one hand, Kazakhstan is one of the most loyal and reliable Russia's partners in the post-Soviet expanse; it is involved in all the integration processes. On the other hand, Astana's policies demonstrate that it has its own national interests, its own ideas about the international developments, and its own foreign policy priorities.⁹

The Russian Federation has been and will remain the main partner and ally of Kazakhstan for a long time to come, although a real mechanism for their integration has not yet been set up. It is needed to set up effective customs, trade, and economic unions, common financial institutions, vertical economic ties, etc. The political element of the two countries' integration remains vague.

In recent years Uzbekistan's political and economic situation has changed radically even though Islam Karimov remains its president. The country's leaders have started the very much needed financial and economic reforms; the national currency has reached the convertibility stage; and market mechanisms are operating in the countryside. Industry and agriculture have rid themselves of the extremes, and the government has moved further away from interfering in economic processes.

At home President Karimov has finally reduced the pressure of the clans and regional and departmental groups on central power. The main elite groups have reached a consensus and achieved a balance, albeit shaky. Social unrest was partly quenched and the threat of destabilization removed, while the Islamist movement was driven underground.

Likewise, the republic's international situation has changed to a great extent: Tashkent abandoned its one-sided orientation toward the West to move back to post-Soviet integration. This improved relations with Russia: today Tashkent depends much more on Moscow and Beijing. Its foreign policy revision took Tashkent farther than intended: its relations with the West are worse than at any other period, while the country has found itself in what can be described as international semi-isolation. At the same time the rapport between Russia and Uzbekistan that goes back to 2004 cannot be described as completely reliable: Uzbek foreign policy is known for its instability.

Tashkent is slowly but steadily erecting obstacles in the path of Russian businesses wishing to operate in Uzbekistan—at the early stages of the newly found cooperation these intentions were hailed. Uzbekistan's relations with its neighbors (especially with Kyrgyzstan and Tajikistan) cannot be described as simple. At the same time Tashkent and post-Niyazov Ashgabad seem to have found common interests: the former is interested in large-scale oil and gas as well as transport and communication projects.

In the context of bad, or very bad, relations with the West Tashkent is actively developing multi-sided (mainly economic) cooperation with China. The republic, in fact, is developing into China's key Central Asian trade, economic, and political partner. It, however, still depends on Kazakhstan in the trade and labor market spheres. Its non-existent relations with the West are forcing Uzbekistan to adjust its foreign policy to Russia and the regional structures it patronizes. The country is very much interested in the planned gas pipeline from Turkmenistan to China.

The European Union, meanwhile, changed its tactics: it abandoned confrontation for the sake of cooperation expected to improve Uzbekistan's domestic climate even though it ignored the de-

⁹ For more detail, see: R. Weitz, *Kazakhstan and the New International Politics of Eurasia*, Central Asia-Caucasus Institute & Silk Road Studies, Washington, D.C., 2008, 189 pp.

mand of the EU to start an international investigation of the Andijan events. Tashkent's firm stand, its determination to defend its sovereignty, and its opposition to an open diktat of others brought fruit.

Since 2004 Tashkent has been developing its relations with the Soviet successor-states in line with its orientation toward Russia. The importance of its contacts with China, Kyrgyzstan, Kazakhstan, and especially Turkmenistan (from which gas will be moved across Uzbekistan) cannot be overestimated; on top of this Uzbekistan is campaigning to become the transit state for the main railways and highways that will connect China and the Middle East.

The Andijan riot, which Tashkent accused Bishkek of indirectly instigating, caused a lot of strain in the relations between the two countries; later, in 2006, many of the former contradictions were removed. Relations with Tajikistan, on the other hand, remained the same throughout 2006 and 2007: Tashkent is convinced that the Republic of Tajikistan is unable or unwilling to take adequate measures to suppress radical Islamism, which has remained a very obvious threat since the late 1990s. Uzbekistan is jealous of Tajikistan, which is moving toward domestic hydropower and increased aluminum production. In the fall of 2006 this put a strain on their bilateral relations; the border guard services of both countries accused each other of violating the principles of good neighborly relations.

Islamist extremism keeps Uzbekistan on the alert: the republic is forced to tighten its border, customs, and migration regimes—measures that badly hit the Ferghana population. It should be said that recently Uzbekistan chose to stay away from the summits of the Turkic-speaking states: it not merely ignored the kindred Turkic states, it also ignored the important foreign policy resource for the sake of demonstrating its independence.

For this reason Tashkent and Ashgabad pooled their pragmatic interests for the sake of ambitious regional fuel and energy projects: the Caspian gas pipeline is expected to hug the Caspian eastern coast across Turkmenistan and Kazakhstan to double Central Asian (including Uzbek) gas supplies to Russia.

This is the context in which Uzbekistan's post-Western foreign policy is taking shape determined, first and foremost, by the shortage of domestic resources and limited maneuverability on the international scene. Hence the main principles: orientation toward Russia and China and confrontation with the West; a wait-and-see policy when dealing with the West, which (Tashkent is convinced) needs Uzbekistan more than Uzbekistan needs the West; avoidance of too close relations with and overdependence on Moscow; wider cooperation with China in pursuance its own interests in the trade, economic, and investment spheres; preventing Tajikistan's too close relations either with the West or with Russia while helping Dushanbe fight the Islamist extremism, and flexible relations with Kazakhstan by formally accepting its leadership.

Kazakhstan, in turn, wants domestic stability in Uzbekistan more than anything else; much depends on whether the regime change in Uzbekistan will be smooth. On the whole, sober assessment of the situation and the now obvious trends demand that we should be prepared to see Uzbekistan a poor but ambitious and influential state. By that time Kazakhstan should have already acquired the levers needed to guide Central Asian development, manipulate the local processes and relations with the great powers and prevent Uzbekistan's diktat for the sake of geopolitical stability in the region.

Uzbekistan, in turn, is looking for new foreign trade and foreign policy partners in the East: South Korea, Pakistan, Japan, Iran, and even Afghanistan. President Karimov placed the stakes on contacts with China to balance out Russia's influence. This means that in recent years President Karimov has achieved a metamorphosis: Uzbekistan has Russia on its side as an influential patron on the international arena while Russia, by the same token, confirmed its regional status in Central Asia. In short, Uzbekistan has found its niche in Vladimir Putin's strategy.

There is the opinion in the West that the local regimes, naturally unwilling to risk their stability in the face of double pressure (from the Islamists and the West and its democratization thesis), opted for regional cooperation, the SCO being the most graphic example of this.¹⁰ The local regimes are regarded as semi-autocratic, or “sultanic.” Three of the local states—Kyrgyzstan, Uzbekistan, and Turkmenistan—are seen as more autocratic than the others. They have, indeed, to maintain stability at any price as the bedrock of their legitimacy. Western authors are convinced that fear of any domestic changes or reforms able to erode or even bring down the regime is the local rulers’ main problem.

Kyrgyzstan is present in practically all the Central Asian integration projects—CSTO, EurAsEC, CAEC, and SCO. In recent years its leaders, who in the past few years have been preserving strategic cooperation and partnership with Russia, China, and the U.S. as their priorities, have been concentrating on strengthening relations within the SCO and CSTO. Relations with the United States, the third strategic partner, are clouded by the clash of financial advantages with respect to the continued presence of American troops in the republic and Washington’s mounting desire to export democracy and support the opposition.

On the whole, its relations with the West follow the pattern obvious in Central Asia, the Caucasus, and most of the other Soviet successor-states. On the one hand, the expectations of Western financial and economic assistance are very much inflated; on the other, this and investments should be repaid by military-strategic cooperation while the West indulges itself in criticism of the human rights and democratization records. When the negative aspects reach a certain level these countries turn to Russia to resume their habitual political flirting. Under any scenario the West will try to preserve its influence and military-strategic presence in Kyrgyzstan, at least at the present level.

In recent years Bishkek has displayed an interest in all sorts of transportation and communication projects designed to connect Central Asia with the outside world; Kyrgyzstan wants to be included in all of them as a transit country. It would also like to see Central Asia as a single economic expanse.

While looking at Russia for foreign policy guidance Bishkek counts on its economic assistance; it is placing its stakes on luring Russian business into expensive projects with which the republic cannot cope single-handedly. Its foreign policy confirms that no country with a weak and shaky leadership, stagnating economy, and domestic instability is capable of conducting a strong foreign policy course. Kurmanbek Bakiev tried to maneuver in the steadily narrowing field of political options when seeking the support of Russia and China (in particular) and close neighbors to strengthen his position as the second legal president and to heal the domestic economy.

The new leaders of Turkmenistan with their ideas about the country’s foreign policies boldly moved onto the international arena. President Berdymukhammedov has accepted the rules of the game and feels at home on the geopolitical scene, especially where the Caspian issue is concerned: so far he has been successfully balancing among Russia, the West, China, and Iran. He is lavishing promises right and left and seems to be ready to join any of the gas pipeline projects even though this is very much at variance with the republic’s gas reserves.

The dramatic events triggered by the sudden death of Saparmurad Niyazov and G. Berdymukhammedov’s advent to power stirred up intrigues around Ashgabad: the West is luring Turkmenistan into alternative gas projects while Russia is fighting for its continued monopoly on the transportation of Turkmen gas to the foreign markets.

Meanwhile Turkmenistan is steadily opening up to the world. This is true, first and foremost, of its contacts with the West through which it hopes to prevent destabilization of the new regime by means

¹⁰ For more detail, see: *Machtmosaik Zentralasien. Traditionen, Restriktionen, Aspirationen*, M. Sapper, V. Weichsel, A. Huterer (Hrsg.), BPB, Bonn, 2007, 648 pp.

of an outside force; neutralize the negative impact on the region of the U.S.-IRI confrontation; maintain acceptable prices for exported Turkmen gas; and achieve division of the Caspian in full accordance with its interests and better relations with its neighbors, Uzbekistan in particular.

The West, in turn, is trying to elbow Russia out of Turkmenistan, potentially the best chance of delivering Europe and pro-Western CIS republics from their dependence on Russian gas. Turkmenistan has been working in two directions: first, it is selling its gas to its usual customers (Russia, Ukraine, Azerbaijan, Georgia, and Armenia) and settling the payment issues. Second, it is looking for new markets and new transportation routes.

Its relations with China and within large pipeline projects will never leave the republic isolated. The latest moves of President Berdymukhammedov testify that he is following in the footsteps of his predecessor: he is maneuvering between Russia and the West on the main gas pipeline issue. Having sided with Russia and Kazakhstan on the Caspian project, the president of Turkmenistan later publicly supported the Trans-Caspian pipeline actively lobbied by the European Union, America, and Turkey. Recently there was progress on the division of the Caspian. It looks as if Ashghabad has finally accepted the fact that Niyazov's uncompromising stand had no future and is prepared to meet other CIS countries halfway.

Today, Russia's policy in relation to Turkmenistan is free from the desire to invite the country into the SCO or any other CIS structures. Moscow wants to remain in control over its gas policies: the agreements of Turkmenbashi's time should remain in force while Gazprom should retain its monopoly on the export of Turkmenian energy resources. This makes China, which wants Turkmen gas for itself, Russia's rival, which threatens its gas interests. In these conditions China could have used the SCO to bring pressure on Turkmenistan by trying to impose SCO membership on it. This would leave Russia with no choice but to support the country's present neutrality.

The expert community is of the opinion that Ashghabad's chances within Nabucco are preferable. The project expected to move gas from Iran and other Caspian states to Southern, Central, and Western Europe and North Africa has been discussed for some years now. The U.S. and EU both want to detach Turkmenistan from its dependence on the Russian Central Asia-Center gas pipeline to encourage Ashghabad to look at new export and transit projects. Turkmenistan's intention to diversify the gas export routes might be undermined by Gazprom, Russia's gas monopolist, and the lack of transparency in the Turkmen gas sector. In June 2007 President Berdymukhammedov began establishing relations with Iran.

The new pipeline routes will be determined not only by international competition over the oil and gas resources of Turkmenistan but also by the domestic balance of forces. The new export routes will depend on the place and influence of the clans in the new structures of power.

The Turkmen leaders selected Kazakhstan as their Central Asian priority: they are very interested in the second oil pipeline to China Kazakhstan is building, in the fact that it gave Japanese companies access to its uranium mines, and in its talks with China and Japan, as well as with France, on building the first atomic power station in Kazakhstan.

The new president and his closest circle have identified their foreign policy priorities as preserving the republic's neutrality, continuing the course of the previous leader in the export of fuel, settling the Caspian's status, and lowering the risks of being involved in the American-Iranian conflict. Legitimization of the post-Niyazov regime in the eyes of the world community is the most urgent of the foreign policy tasks.

The weak economy, which suffered a lot in the civil war, the undeveloped production forces, and the geographic location, which can hardly be described as favorable, do not prevent Tajikistan from being involved in nearly all the integration structures (CSTO, EurAsEC, CACE and SCO). Recently the country has been seeking new foreign policy partners more actively than before (while strengthening its traditional relations with Russia). The new foreign policy trends were born through

a great deal of dissatisfaction with the far from successful experience of cooperation with Russia's big business.

There are objective reasons behind this as well: in recent years foreign investors have been showing more interest in the republic for geopolitical rather than economic reasons. The West is very much concerned with the frequent visits of top political figures and businessmen from Russia, Iran, and China to Tajikistan and the ever widening flow of investments into its economy. The West, particularly the United States, cannot allow Iran to strengthen its position in the region and gain access to its strategic resources (particularly Tajikistan's uranium, aluminum, and cotton).

Today, Iran is building up its influence in the republic without much ado and is involved in all sorts of economic projects; India and China are also present. Russia's much advertised intention to regain control over the Soviet aluminum giants fell through or, at best, was postponed. The situation in the republic where economic and political problems are intertwined is far from simple, however Dushanbe and Tehran have moved closer in many respects. Iran is gradually moving to the fore as one of the key foreign investors and a potential user of local raw materials. In the near future Tajikistan will still need energy, transport, and communication projects; and it will have to curb the large-scale migration of manpower.

In Uzbekistan the old problems persist. In view of Tashkent's widely advertised position, it should be said that integration in Central Asia failed—today it is very much in vogue to speak of regional cooperation. Contrary to the widespread skepticism, it should be said that integration is going on in latent forms very much different from those in Europe: illegal migration, grey labor market, latent movement of capital, development of the shadow economy, etc.

What factors affect Central Asian security? They have not changed much: Afghanistan and the military-political situation in it; Iran and its nuclear program; the relations between Russia and China; the activity of the West, etc. What will happen next? Central Asia will obviously be drawn into the global processes, but much will depend on integration within the CIS and within the structures Russia has initiated and is promoting. The main actors will remain active; the dynamics of geopolitical processes in the region will depend, to a great extent, on external factors. Inside the region, dynamics will depend on regional factors and domestic policies.

Turkmenistan is the best example of the above: having acquired a new regime and geopolitical landmarks, the country is readjusting its policies and has already joined the geopolitical games. Tajikistan is going along the same road; Kazakhstan has reached a crossroads while Uzbekistan and Kyrgyzstan are following the same paradigm by inertia and for certain objective and subjective reasons. The rapidly changing geopolitical situation in the world and around the region will put an end to the stagnation.

Kazakhstan's future is closely connected with the fact that the world economy is growing more dependent on energy sources. Some time ago China, with its rapidly developing economy, commodities expansion, import of energy fuels and its impact on the environment, demography, and consumption, became a factor to be reckoned with in Kazakhstan. In fact China's proximity is both an advantage and a challenge.

An Alliance of the Central Asian States under the political and economic leadership of Astana is one of the key goals of its Central Asian policy. Today it is becoming increasingly clear that Uzbekistan's opposition is forcing Kazakhstan to draw closer to Kyrgyzstan, the closest Central Asian country in the geographic, cultural, and historical respects. Despite its relatively small political and economic scale Kyrgyzstan is one of the key states as far as Kazakhstan's security is concerned.

The Road to Europe, the republic's strategic course, revealed its geopolitical preferences to the European Union. On the other hand, its relations with the United States are positive; America still regards Kazakhstan as its key regional partner.

In October 2007 the OSCE unanimously confirmed OSCE chairmanship for the Republic of Kazakhstan starting in 2010, which can be described as an important political and diplomatic victory. The future chairmanship, however, is fraught with numerous problems that might complicate the republic's foreign policy context.

The OSCE might go beyond its present responsibility areas (security and humanitarian cooperation); its involvement in what is going on in the Soviet successor-states goes further than domestic issues, namely, to relations with the West as a whole and the EU and European institutions, NATO, and the U.S. in particular. Recently, the organization became involved in what is called energy security for Europe. This places the relations between Kazakhstan and the Central and East European countries in a new context.

OSCE chairmanship is a test for geopolitical maturity since it is related to the fundamental issues of the country's relations with the West, security, geopolitics, and geo-economics. During its chairmanship Kazakhstan will probably try to formulate, along with Russia, the Central Asian republics, and the CIS integration partners, a course to be pursued in relation to the West and OSCE.

The dividing lines inside the organization might be overcome; at the same time Kazakhstan will concentrate on the countries "to the east of Vienna" and their interests, which will give the CIS members a chance to implement their projects. The stress should be probably shifted from democratization on the humanitarian agenda to cultural cooperation, confessional harmony, and inter-civilizational cooperation.

The issues of prime importance for the region (terrorism, drug trafficking, and illegal migration) should probably receive more attention. At the same time the organization should distance itself from the problems of regional conflicts and unrecognized states. Contacts between the European and Asian security systems—the OSCE and CICA—look like a promising perspective. As the OSCE chairman, Kazakhstan will acquire the tools needed to organize a dialog between OSCE and NATO, on the one hand, and the SCO, CSTO and CICA, on the other. It is unlikely that the problem of the adapted CFE Treaty will be resolved by 2010, which means that Astana, as one of the sides, will have a chance to initiate a dialog within the OSCE.

In 2010 Astana should use its OSCE chairmanship to add weight to its international and foreign policy standing for the sake of Central Asian security.

In August 2008 the conflict in South Ossetia complicated the situation and greatly affected Euro-Atlantic and Eurasian security. The SCO summit that met late in August 2008 unanimously supported Russia and its actions in the Caucasus. We can expect similar statements from Moscow's CIS friends at the CIS, EurAsEC, and CSTO summits to be held in the fall of 2008. Central Asian security will undoubtedly be affected by the worsening relations between Russia and the West. The geopolitical game around the region has reached a new phase. The year 2009, when America receives a new administration, will probably dissipate the fog.

NATION-BUILDING

PARLIAMENTARY OPPOSITION IN CENTRAL ASIA: PROGRESS, PROBLEMS AND PROSPECTS

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Anyone wishing to study political modernization should not ignore the recent problems born by the party-building process. The institution of parliamentary opposition and its evolution are probably the most complicated of them for the simple reason that legislatures are a relatively new and fairly progressive phenomenon in the region able to stimulate democratic processes on their own. In addition, the parliamentary parties have enough political weight to promote the best possible laws.

According to the generally accepted definition, the parliamentary opposition is a group of parliamentarians or the parliamentary faction of a party not present in the Cabinet and opposing it on issues of fundamental importance.¹ Social and

political thought in Central Asia is paying enough attention to the opposition as the region's political reality.² So far, however, the parliamentary

1972, pp. 50-54; A.E. Kozlov, *Parlamentskoe bol'shinstvo i oppositsia*, Fond razvitiia parlamentarizma v Rossii, Moscow, 1995, pp. 32-34; J. Blondel, "Political Opposition in the Contemporary World," *Government and Opposition*, Vol. 32, Issue 4, 1997, p. 462; P. Cowley, D. Darcy, C. Mellors, J. Neal, M. Stuart, "Mr. Blair's Loyal Opposition? The Liberal Democrats in Parliament," *Journal of Elections, Public Opinion & Parties*, Vol. 10, Issue 1, 2000, pp. 100-116; L. Nijzink, "Opposition in the New South African Parliament," *Democratization*, Vol. 8, Issue 1, 2001, pp. 53-68; N. Mironov, "Institutsionalizatsia politicheskoy oppositsii," *Sravnitel'noe konstitutsionnoe obozrenie*, No. 4, 2004, pp. 41-44; L. Helm, "Five Ways of Institutionalizing Political Opposition: Lessons from the Advanced Democracies," *Government and Opposition*, Vol. 3, Issue 1, 2004, pp. 22-54; A.E. Chebotarev, *Oppositsia kak institut politicheskoy sistemy (na primere respubliki Kazakhstan)*. Synopsis of the candidate thesis, Almaty, 2007, 24 pp.

² See: S. Olimova, "Politicheskie partii i mnogopartiynost' v Tajikistane," *Tsentral'naia Azia i Kavkaz*, No. 1,

¹ See: T. Hockin, "The Role of the Loyal Opposition in Britain's House of Commons: Three Historical Paradigms," *Parliamentary Affairs*, Vol. 25, No. 25,

opposition as the most complicated part of political opposition has escaped attention.

This article attempts to assess the experience of other countries and analyzes domestic phenomena and the meaning of the changes to reveal their hidden mechanisms and impact on the local po-

1997; I. Karsakov, "Osobennosty transformatsii politicheskoy sistemy Kazakhstana v kontse 80-kh-seredine 90-kh godov," *Tsentral'naia Azia i Kavkaz*, No. 1, 1998; Z. Kurmanov, "The 2005 Parliamentary Elections in Kyrgyzstan and Collapse of the Akaev Regime," *Central Asia and the Caucasus*, No. 3 (33), 2005.

litical regimes and take a look at the future of parliamentary opposition. I proceed from the fact that this institution has been developing in countries "that have never known a multi-party system, professional parliaments, legal opposition, independent press, real freedom of conscience, or independent trade unions, and where non-governmental organizations have been terra incognita."³

³ N.A. Nazarbaev, *Speech Delivered at the Norwegian Institute of International Affairs*, 3 April, 2001, available at [www.akorda.kz].

Prehistory

Late in the 1980s, when the Soviet Union was still alive, it became clear that the country needed an institution of opposition. Mikhail Gorbachev did not exclude the possibility that the CPSU might become an opposition party at some later point. He argued that political methods should be used to convince people to take part in elections of all levels and cast their votes for the communists. If this failed, continued the communist leader, the party should form a constructive opposition, support reasonable measures, and go against the government when the "interests of the working people demanded this."⁴

The Interregional Group of Deputies, a prototype of sorts of a legal parliamentary opposition, appeared in 1989; it comprised about 380 deputies of the Congress of the People's Deputies of the U.S.S.R. and was headed by Andrei Sakharov, Iuri Afanasiev, Gavriil Popov, Boris Yeltsin, and Victor Palm. They laid the foundation for a parliamentary opposition in the country.

The Central Asian leaders on the whole knew that they needed a civilized opposition at a time when the most odious CPSU groups were encouraging centrifugal trends.

Constructive, Loyal, and Healthy

The constructive opposition concept was planted in the local political soil not only thanks to the efforts of the architect of perestroika: any attentive student of the materials dated to the 1990s cannot miss the impact of the FRG's constitutional and legislative experience on political opposition practices.

In West Germany the term "constructive opposition" was used in many contexts; German parliamentary parties that lose the elections are duty bound to pursue constructive policies, suggest alternatives, and take part in public discussions. On the whole, the German parliamentary opposition, together with trade unions, cushions "popular unrest."

⁴ Quoted from: A. Brown, "Gorbachev, Lenin i razryv s leninizmom," *Polis*, No. 6, 2007.

An analysis of the writings of the Central Asian leaders shows that by a constructive opposition they mean an opposition that positively affects the pace, dynamics, and results of the socioeconomic and sociopolitical reforms. By “healthy” they mean parties and public movements that have realized that a civil society is the key guarantor of state independence. When talking about a constructive opposition, Nursultan Nazarbaev, for example, has pointed to social responsibility and elaborating “development scenarios for the country that would improve it rather than destroy everything that has been achieved” as its main traits.⁵

On the whole, this corresponds to the generally accepted opinions, however the parliamentary opposition models presuppose that a “general culture of responsibility and obligations” (of both the government and the opposition) is required for the parliament to be effective. Loyalty, a no less important historical side of the opposition, is seen, as I shall demonstrate below, through the prism of a “single and common aim of democratic development shared by all the subjects involved.”

“The Opposition is a Mirror Reflection of the Government; the Government is a Mirror Reflection of the Opposition:” Are We Ready to Introduce This Institution on a Grand Scale?

When talking about democracy and stability the Central Asian leaders invariably declared that they accept those political opponents that have constructive platforms and are convinced that evolution is the only way to the future. In the context of the “personnel crunch” there is a lot of talk about the dearth of leaders capable of establishing and maintaining a centralized government.⁶ The regional leaders referred to the difficulties of the transition to the market and democracy and the “highly strung situation” as factors that slowed down the development of a constructive opposition. In Uzbekistan, for example “the groups that rejected everything,” that “were proceeding from negative assessments of everything,” and that “were deliberately building up tension” were subjected to political criticism.⁷ In Uzbekistan, as well as in all its neighbors, the phenomenon of a “slighted opposition” appeared.

In Kazakhstan “boisterousness,” what is called “black PR,” “mutual mud slinging” and “using terms in relation to the country that can hardly be described as honorable,” was officially criticized. “The fairly small population of a multi-national country finds it hard to accept. This behavior is unreasonable and dishonorable.” In mid-2005 President Nazarbaev used these emotional words to answer his opponents.⁸ Other members of the ruling class of Kazakhstan also called on the public “to

⁵ N.A. Nazarbaev, “Nam suzhdno byt’ vechnymi družiami,” Interview to *Rossiiskaia gazeta*, May 2006, available at [www.akorda.kz]. Kazakhstan is a unique country where the institution of the parliamentary opposition is concerned. In the Supreme Soviet of the 13th convocation there was a parliamentary opposition headed by the Progress deputy group that laid on the table a packet of reforms entitled New Economic Policy. In the fall of 1994 the parliamentary and non-parliamentary opposition joined forces on a platform of reforms alternative to the government’s course.

⁶ See: bberussian.com. 25 March, 2005.

⁷ *Komsomolskaia pravda*, 12 February, 1993.

⁸ See: N.A. Nazarbaev, *Stabil’nost’—osnova nezavisimosti*, Interview of the head of state to the republican media, available at [www.akorda.kz].

draw adequate conclusions and keep in mind that these people are still part of our society and our citizens.”⁹

The political opposition in Central Asia developed according to its own specific pattern: in the 1990s it outstripped official structures intellectually, which can be explained by its professional level, skills, and experience.¹⁰ At the same, the experience accumulated by developed democracy says that the normal functioning of the parliament and opposition requires a certain level of political and legal culture and respect for the law demonstrated by both sides.¹¹

Risks and Challenges

Experience has taught us that, if realized, the plans of the most destructive and extremist forces operating in the Central Asian republics will cause political, social, economic, and cultural collapse, disorder, chaos, and crisis of governance. This is dangerous: social and political destabilization brings loss of life and deprivation; society will be thrown several decades back. We have seen this in Tajikistan.

In fact, this republic has provided us with important examples to be studied by those who look at the development of the political opposition as an institution.¹² Its leader has rightly pointed out that the most “sensitive” and “potentially painful” issues, which might offend the nation’s pride, should be discussed in the “most responsible way with due account of all factors—both domestic (caused, among other things, by the problems and shortcomings inherited from the Soviet period) and regional and international (connected, in particular, with greed and pressure from external forces and groups).”¹³

Tajikistan has offered us a unique example of how the government and the political opposition finally failed to reach an agreement about the “highest national aims.” In these conditions the head of state laid on the table the initiative of a “certain unique public institution,” the Public Council¹⁴ supported by a group of intellectuals. The National Agreement Treaty was aimed at “setting up a fair civil society and promoting democratic, legal, secular, and social statehood in Tajikistan.”

Social Spongers and the Former Party Nomenklatura in the Opposition System

Social sponging, egalitarian ideas, and envy of the better-off are some of the most typical features of our day and viruses of the destructive opposition. They appear where and when power ne-

⁹ *Verbatim Report of the press conference of Secretary of State of the Republic of Kazakhstan K.B. Saudabaev about Kazakhstan’s OSCE Chairmanship in 2010. 1 December, 2007*, available at [www.akorda.kz].

¹⁰ Nurbolat Massanov, prominent Kazakh political scientist, has pointed to this phenomenon (for more detail, see: “Novaia Konstitutsia i perspektivy ob’edinenia demokraticeskikh sil Kazakhstana,” N. Massanov’s Polyton discussion club, available at [www.club.kz]).

¹¹ The words “The opposition is a mirror reflection of the Government; the Government is a mirror reflection of the opposition” belong to Speaker of the Kyrgyz parliament A. Madumarov, available at [www.svoboda.org], 23 February, 2003.

¹² Back in 1992 a group under A. Ochilov that wanted to cooperate with the then President K. Makhkamov left the Democratic Party of Tajikistan; this group was seeking power through the normal parliamentary process.

¹³ E. Rakhmonov, *Lecture in Honor of the Day of Knowledge at the Tajik Agrarian University*, 1 September, 2006, available at [www.president.tj].

¹⁴ See: E. Rakhmonov, *Speech at a Regular Sitting of the Public Council* (Dushanbe, 7 April, 2006), available at [www.president.tj].

glects the material state of the masses and the inability of many to earn a dignified living. This leads to social passivity and marginalization (charities that “give people a chance to show the initiative and that connect people and the state”¹⁵ can cure this “opposition” ailment.

Democracy (parliamentary democracy included) is threatened by the “party nomenklatura and everything raised by the old ideological system,”¹⁶ as well as “civil servants removed from their posts,”¹⁷ who are another social stratum of the destructive opposition. The October 1993 events in Russia, when practically the entire legislature became the parliamentary opposition, were the finale of a political drama¹⁸ which encouraged opposition to the nomenklatura elsewhere.

Each of the Central Asian states fights its party nomenklatura in its own way in the context of the parliamentary opposition. In Tajikistan, for example, the then head of state Rakhmon Nabiev, who was forced to maneuver among the opposition forces and even seek compromises, rejected the orthodox stand of part of its elite that called the tune in the outlawed Communist Party. In Kazakhstan, the country’s leaders chose to restructure the government horizontally and vertically to set groups inside the old elite against each other and ignite stiff competition among them. The capital was moved from the south to the country’s north. Nurbolat Massanov has written that because of this “the old nomenklatura with its connections, authority, and influence, as well as the opposition, found themselves abandoned in Almaty and out of the running.”¹⁹

There Should Be Alternatives to the Parliamentary Majority Programs

As early as in the 1990s President Karimov clearly indicated that Uzbekistan needed a political alternative: “I think that the opposition should rely on very specific alternative program documents—let me repeat—alternative programs, or models, so as to be able to compete with official approaches and official programs. This can earn the respect or objection of the people.”²⁰ The already functioning parties were expected to play an important role in formulating political alternatives in the republic. In 1997 the president put into words the task of organizing the opposition into a force with a legal status that would “respect the constitutional and legal norms,” “feel responsible for the state and public order in the country,” and “offer alternative projects of state structure.”²¹

The president of Kazakhstan has pointed out that “an open society and market economy have no alternatives,” however “modernization and the mechanism of modernization are the key issues of the

¹⁵ D.A. Medvedev, *Otechetsvennaia blagotvoritelnost' vozrozhdaet svoi istoricheskie traditsii*, 12 April, 2006, available at [www.kreml.org].

¹⁶ I.A. Karimov, *My ubezhdeny v pravil'nosti izbrannogo puti*, 16 February, 1996, available at [www.press-service.uz].

¹⁷ N.A. Nazarbaev, “Nam suzhdeno byt' vechnymi družiami,” Interview to *Rossiiskaia gazeta*, May 2006, available at [www.akorda.kz].

¹⁸ By saying this I do not deny that at least certain groups of the old nomenklatura can change. In the early 1990s in Mongolia, for example, the ruling Mongolian People’s Revolutionary Party initiated a parliamentary reform and competitive elections thus giving rise to a parliamentary opposition.

¹⁹ N. Massanov, “Politicheskaia i ekonomicheskaia elita Kazakhstana,” *Tsentral'naia Azia i Kavkaz*, No. 1, 1998.

²⁰ I.A. Karimov, op. cit. Later, on 29 August, 1996, speaking at the 6th session of the Oliy Majlis of the first convocation, the president of Uzbekistan said: “We understand political opposition as an alternative. An alternative is needed in all spheres of life” (I.A. Karimov, “Gotov sport's liubym opponentom,” *Trud*, 26 May, 1993).

²¹ I.A. Karimov, *Uzbekistan na poroge XXI veka: ugrozy bezopasnosti, uslovia i garantii progressa*, 1997, available at [www.press-service.uz].

domestic dimension of national security.”²² The new president of Kyrgyzstan calls on the nation to look “for alternative ways out of the present situation; to show the road toward intensive economic development and cutting down the enormous state debt.”²³ While being aware that there is no alternative to capitalism, many of the local and foreign experts argued that “commercialization of human bonds and relations was not inevitable.”²⁴ In other words, it is commonly believed that in Central Asia the ability of all the political forces, including their left wing, to offer alternatives remained underestimated.

Studies of the political alternatives to the parliamentary opposition in Central Asia have two sides. On the one, domestic, side, many political scientists believe that the potential of the opposition in general (besides the already mentioned potential of the left) remains underestimated²⁵ and that there is an obvious shrinking of the most probable alternatives to those in power. On the other, external, side, there is what is known as an “alternative without alternatives” created by globalization and the threat of being “pushed away from the golden billion into a world of poverty and slavery.”²⁶

On the one hand, these two sides force the parliamentary opposition to seek other options inside the country (mainly the social-democratic approach to social, political, and economic reforms). On the other hand, the parliamentary opposition is losing some of its opportunities to seek a “third road,” “third model” or develop into a “third force.” This is amply confirmed by the recurrent world crises in the form of crises of foodstuffs, fuel, etc. and all sorts of “orange revolutions,” invasions of mass culture, and similar phenomena.

Parliamentary Opposition and Public Control: Interaction and Interrelation

The Program of Democratization, Social Renovation, Reformation and Modernization of the Country adopted in Uzbekistan in January 2005 envisaged that the deputy corps, political parties, and NGOs should develop into “the key instrument of public control of the state and power structures. The Constitutional Law of Uzbekistan on the Stronger Role of Political Parties in the Renovation and Democratization of State Governance and Modernization of the Country (the draft of which was published in November 2006) presupposed that the country should receive an effective system of public control of executive power and administration.

In Kazakhstan the draft Law on Amendments and Addenda to the Constitution of the Republic of Kazakhstan²⁷ President Nazarbaev presented to the parliament on 16 May, 2007 presupposed that the parliamentary factions could tighten their control over the formation of the Cabinet and its activities. In Kyrgyzstan the legislative initiative that introduced elections by party lists was expected to

²² N.A. Nazarbaev, *Speech Delivered at the Norwegian Institute of International Affairs*, 3 April, 2001, available at [www.akorda.kz]

²³ *Verbatim Report of the Dialog between President Bakiev and the Readers of Vecherny Bishkek newspaper*, 6 April, 2007, available at [www.president.kg].

²⁴ “Mnogoobrazie politicheskogo opyta. Beseda s politologom, prepodavatelem Evropeyskogo universiteta (St. Petersburg) V.Ia. Gelmanom,” available at [www.politstudies.ru].

²⁵ This is the opinion of Ed. Schatz, Assistant Professor, University of Toronto (Canada). For more detail, see: N. Massanov’s Polyton Discussion Club, 9 December, 2005, available at [www.club.kz].

²⁶ “Na perekrestke politiki i nauki. Beseda s filosofom, politologom, chlenom Politicheskogo Soveta Souza pravyykh sil RF A.A. Kara-Murzoy,” available at [www.politstudies.ru].

²⁷ *Stenogramma press-konferentsii Gossekretaria i rukovodstva Administratsii Prezidenta RK*, available at [www.akorda.kz].

increase the responsibility of political parties and “public control of the politically active part of civil society over the legislative and executive branches of power”²⁸ (this means that the parliament, Zhogorku kenesh, in turn, becomes an object of public control).

In Tajikistan the government calls on the political parties and the deputy corps to exercise public control over the distribution of aid, the promotion of morality and spirituality, and the observance of rites and traditions that should correspond to the acting laws and legislative regulations.²⁹

The Uzbek Experience

In February 2005, when the new two-chamber parliament of Uzbekistan was one month old, the Oliy Majlis deputy factions of the following parties: Liberal-Democratic, National-Democratic Fidokorlar, and Social-Democratic Adolat in the parliament lower chamber formed the Democratic Bloc (a prototype of the parliamentary majority). The National-Democratic Party of Uzbekistan (NDPU), in turn, positioned itself as the “opposition party of the minority,” the “left wing of the reformist forces,” “a side in the healthy factional struggle,” and “supporter of political pluralism and competition in the parliament.” This created conditions for the further development of parliamentary democracy.

The Constitutional Law on the Stronger Role of Political Parties in the Renovation and Democratization of State Governance and Modernization of the Country enacted on 1 January, 2008, after a long discussion, offers the following definition of the parliamentary opposition: “factions of political parties as well as deputies elected from citizen initiative groups which disagree with the course and program of the newly formed government as a whole or its individual parts.”³⁰

What rights has the parliamentary opposition received under the Constitutional Law? The opposition can set up and strengthen the mechanisms for elaborating and introducing alternative draft laws at the same time as the report on the same issue by the corresponding committee of the lower chamber; and it has the right to insist that its special opinion on any issue discussed by the chamber be introduced into the verbatim report. Its members have the right to sit on a conciliatory commission set up to reach an agreement on laws declined by the upper chamber, etc.

From the Center to the Regions: Vertical Arrangement for the Parliamentary Opposition

The president of Kazakhstan is convinced that the center of gravity at the current stage of the reforms has shifted to the regions. He argued that the political parties should become “people’s parties” “concerned with the problems of all Kazakhstanis wherever these people are liv-

²⁸ K. Bakiev, *Vystuplenie na vstreche s professorami, prepodavateliami, studentami i rabotnikami vysshikh i srednikh professional'nykh uchebnykh zavedeniy g. Bishkeka 28 sentiabria 2007 g.*, available at [www.president.kg].

²⁹ See: E. Rakhmon, *Rech' na obshchepublikanskoy soveshchaniy po regulirovaniyu provedeniya natsional'nykh obriadov i religioznykh traditsiy, 24 maia 2007 g.*, available at [www.president.tj].

³⁰ The definition of factions, blocs of factions set up in the country’s parliament either as the parliamentary majority or as the opposition, was introduced into national legislation to specify Art 34 of the Constitution of the Republic of Uzbekistan, which said that nobody had the right to infringe on the rights and freedoms of members of the opposition minorities in political parties or legislatures.

ing.” They should become “parties of not only large but also small issues,” they should “consistently uproot the shortcomings” and “work actively in the maslikhats.” The representative power in the center (the parliament) and in the regions (the maslikhats) should control the “local government represented by the akims,” “overcome latent bureaucratic resistance,” and control the “heads of executive power.”³¹

In Uzbekistan, the NDPU, as the party of the parliamentary opposition, has posed itself the task of identifying all the failures and blunders that undermine the social efficiency of the reforms and of subjecting those guilty of the failures and blunders to open and constructive criticism. The party is paying much attention to the practical execution of the laws, budget policies, and social and economic development of the regions, ensuring employment, investments, etc., in short, to issues related to the competence of the local state power structures.³² The party is convinced that the local representative structures should add vigor to the social vector of the reforms. The party members believe it highly important for the local structures to identify the failures and blunders that undermine the social efficiency of the current reforms.³³

Conceptual Issues

Those political scientists who write that Kazakhstan “lacks a clear idea about how the ruling party and the parliamentary majority can be distinguished, because some of the decisions require qualified majority of two-thirds to be adopted,” are quite right. The rights of the parliamentary minority should be specified during the formation of the parliament and the Cabinet. The country needs an easily identified mechanism of cooperation between the ruling party and the president and, in general, between the ruling parties and the president. The time has come to clarify the relations between the president and the parliament and the mechanism of consultations on forming the Cabinet.³⁴

We should bear in mind that no party is denigrated by its opposition to the prevailing course: in fact, its theses formulated in the heat of the power struggle are absolutely indispensable. Further development of the parliamentary opposition demands that the political parties, the social-democratic parties in particular, should take a closer look at the everyday problems of those who vote for them and serve as their social basis; they should identify their interests and find out where these people live. The status of the parliamentary opposition demands that it should elaborate a clear idea of close and effective cooperation between the party and its parliamentary faction.

The time has come to tap the experience of those social-democratic parties that have a long history of functioning as the parliamentary opposition: “Kazakhstan is not the only country that relies on this experience,” said President Nazarbaev. “The Social-Democratic Workers’ Party of Sweden, for example, with a membership of about a million remained in power for 56 years, throughout which the

³¹ N.A. Nazarbaev, *Vystuplenie na 3-em zasedanii Goskomissii po razrabotke i konkretizatsii programmy demokraticheskikh reform, 6 iyunia 2006 goda*, available at [www.akorda.kz]; N.A. Nazarbaev, *Vystuplenie na XI vneocherednom s'ezde NDP Nur Otan. 4 iulija 2007 goda*, available at [www.akorda.kz]; N.A. Nazarbaev, *Vystuplenie na vneocherednom IX s'ezde RPP Otan. 4 iulia 2006 goda*, available at [www.akorda.kz]; N.A. Nazarbaev, *Poslanie narodu Kazakhstana. Mart 2007 goda*, available at [www.akorda.kz].

³² See: “Dobivat' sia neukosnitel'nogo ispolnenia zakonov. 24 noiabria 2005 goda,” available at [www.xdp.us].

³³ See: “Proiavliat' initsiativu v realizatsii sotsial'nogo vektora reform. 18 maia 2006 goda,” available at [www.xdp.uz].

³⁴ See: D. Nazarbaeva, *Vystuplenie na zasedanii Goskomissii po razrabotke i konkretizatsii programmy demokraticheskikh reform v RK, 9 oktiabria 2006 goda v Astane*, available at [www.iwp.kz].

country went to the polls during general elections with universal suffrage. The Swedish Social-Democrats are following a strategy designed to protect the interests of the majority by gradually improving the situation; they raised the standard of living and social security to heights that are everywhere described as the 'Swedish miracle'.³⁵

Westminster or Scandinavian?

The British (Westminster) model of the parliamentary opposition rests on the two-party system that clearly outlines the opposition's responsibility. This model, however, lacks, first, representation of large groups of voters and, second, makes it hard, if possible at all, to influence decision-making. The continental model, on the other hand, provides room for wide representation of political parties and a high level of legitimacy and support at the grass-roots level, but makes it hard to identify those personally responsible for any specific decision and its implementation.

In any case (each of the Central Asian models as a symbiosis of several models will be absolutely unique³⁶), it is important to secure equal rights for the parliamentary majority and the parliamentary opposition. We should take into account the Westminster and Scandinavian experience and learn to reject non-constitutional forms of opposition. The Central Asian parliamentary opposition, with due account of experience accumulated abroad, should offer alternatives through the media (TV in particular) and the expert community's largest and most respected sections.

The Central Asian parliamentary opposition can use other methods: Opposition Day in the parliament when the issues the opposition lays on the table are treated as priorities and Once a Week—Questions to the Premier. Grants designed to study and analyze current political developments are especially important as a means of funding the opposition structures. Regular consultations between the factions and the party leadership and its territorial units look like a promising suggestion that could develop into a tradition.

Why is the Road to the Shadow Cabinet a Long One and Why are the Laws on Opposition Premature?

Shadow ministers are expected to offer constructive criticism of the government and come forward with alternative strategies. The shadow cabinet, which can be described as a government-in-waiting, prevents frequent rotations of the government, thus adding stability to the political system and ruling out possible dramatic changes when the opposition comes to power ("there is a pike for every carp in the river").³⁷ Some people argue that in the Central Asian countries the presidential

³⁵ *Vystuplenie Prezidenta Respubliki Kazakhstan N.A. Nazarbaeva na VII s'ezde Grazhdanskoy partii Kazakhstana. 10 noiabria 2006 goda*, available at [www.akorda.kz].

³⁶ The unique nature of Central Asian parliamentarism is best illustrated by the fact that K. Bakiev, one of the leaders of the anti-Akaev opposition, became president with the help of the parliament, the results of the elections to which the opposition rejected. Earlier, K. Bakiev accepted the decision of the Supreme Court of Kyrgyzstan that annulled the election results.

³⁷ H. Schwartz, *The Struggle for Constitutional Justice in Post-Communist Europe*, University of Chicago Press, Chicago, 2000, p. 24.

administrations play the role of shadow cabinets.³⁸ A wider approach will discover globalization's shadow cabinet in America.³⁹

If passed, the laws On Opposition will only partially solve the problems of growth of the institution of the opposition.

- First, these laws will never answer all the questions; they will not be watertight and will inevitably rely on the current legal culture.
- Second, when all opposition-related procedures are brought together in one law, cooperation between the executive and legislative powers might be constricted.
- Third, no law is needed if the government and the opposition do not want to legally formalize their relations: in politics informal mechanisms might be as, or even more, effective than the formal ones.

The National Idea and Parliamentary Opposition

It took several centuries to create a loyal opposition in Great Britain: while disagreeing with the Cabinet, the parliamentary opposition never moves against the Queen and the state as a whole. The two camps in the British legislatures—the majority and the minority—are pursuing the same aims: stability and well-being, although they might disagree over the methods used to secure these aims.⁴⁰

In Kazakhstan the leadership has called on the nation to set up “strong and competitive parties with wide and reliable social bases to enable them to identify and translate the people's interests into practical deeds and compete in a civilized way for votes” “united by the national idea [to make Kazakhstan one of the 50 most competitive countries of the world.—*B.E.*] and competing among themselves in a constructive way.”⁴¹

In Uzbekistan the national idea—Peace for the Country, Well-Being for the Nation, Progress for the Fatherland—has been accepted by all five political parties (including those currently in the parliamentary opposition), which regard national interests as an absolute political priority. In Tajikistan the national idea dates back to 22 July, 1989 when the Law on Language was adopted.⁴² One of the national ideas of Kyrgyzstan has been formulated as Healthy Nation—Prospering Country.⁴³

* * *

In Central Asia the parliamentary opposition is not seen as an aim in itself. So far, it plays a small role hardly noticed by the man-in-the-street. All parties the world over, however, pull people to their

³⁸ [dw-world.de], 30 October, 2003.

³⁹ See: *Liberation*, 29 January, 2004.

⁴⁰ The unity of action and American patriotism that push back all contradictions can be detected time and again in the way the House minority votes in the U.S. Congress.

⁴¹ N.A. Nazarbaev, *Vystuplenie na vneochednom IX s'edze RPP Otan, 4 iulia 2006 goda*.

⁴² See: E. Rakhmon, *Vystuplenie v chest' 10-letia Dnia natsional'nogo edinstva, 5 noiabria 2007 goda*, available at [www.president.tj].

⁴³ See: K. Bakiev, *Zdorovie nashikh liudey—eto tot bestsenny resurs, bez kotorogo nevozmozžno razvitie obschestva, nevozmozžno budushchee naroda*, available at [www.president.kg].

side by active work in favor of their electorates outside and inside the legislatures. To be noticed and respected the party should work “not only during the election campaigns.”⁴⁴ Those parties that neglect the interests of the voters cannot count on sustainable popular interest in and support of their parliamentary factions.

⁴⁴ N.A. Nazarbaev, *Stabil'nost'—osnova nezavisimosti. Interview zhurnalistam respublikanskiikh SMI (seredina 2005 g.)*, available at [www.akorda.kz].

INSTITUTIONALIZATION OF THE PARTY SYSTEM IN THE REPUBLIC OF KAZAKHSTAN: PAST AND PRESENT

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Political pluralism and a multi-party system are regarded today not only as the basic principles of a democratic society, but also as the fundamental prerequisites of democracy in general. In this context, Kazakhstan, which declares itself to be a democratic state,¹ has been giving much attention recently to transforming the country's political sphere.

A retrospective view of the development of a multi-party system in the republic makes it easier to break down the institutionalization of its party system into relatively distinct stages.

During the first stage (1985-August 1990), the state's ideology crumbled and fell apart, the multi-party system became legitimized, and the people experienced euphoria over the imminent changes. “Politics was regarded as a process during which vitally important issues were indeed resolved, and this atmosphere gave rise to an outburst of public enthusiasm and drew charismatic personalities onto the political stage.”² Numerous independent public associations with views on society and the state that differed from the official stance began to spring up. In so doing, organizations prevailed that did not pursue political goals but were engaged in social problems—environmental, culturological, and

¹ See: *Konstitutsia Respubliki Kazakhstan*, TOO Baspa, Almaty, 1998, p. 3.

² E.K. Ertysbaev, “Golosovali za programmu Nazarbaeva. Posleslovie k vyboram. Predvaritelnye zametki,” *Kazhstanskaia pravda*, 19 January, 1999.

historical—and tried to have an influence on the power structures in order to resolve these problems. The most well-known of them were: the Nevada-Semipalatinsk International Anti-Nuclear Movement (Nevada-Semipalatinsk IAM, date of establishment—February 1989), the Memorial Society (December 1988), Adilet (April 1989) and Қазақ тілі.

Multi-thousand meetings and other mass actions were held under the supervision of well-known poet O. Suleimenov, thus helping Nevada-Semipalatinsk IAM to achieve its goal: the Semipalatinsk testing ground in Kazakhstan was closed down.

This experience stood the movement leaders in good stead. They were later able to create a political organization on its basis. The Memorial and Adilet societies were engaged in investigating the Stalinist repressions, helping the victims to become rehabilitated, and looking for mass shooting and burial sites. The Қазақ тілі Republican Society set itself the task of reviving the Kazakh language, culture, and spirituality; its national-cultural centers strove to preserve the national cultures of the various ethnic groups living in Kazakhstan.

In 1989, the first political organizations appeared: the Forum Society, the Zheltoksan Committee, and the Kazakhstani Public Human Rights Committee.

As of 1 March, 1990, there was a total of more than 100 registered and unregistered public associations, most of which were organized as clubs.³

In March 1990, Art 6 of the U.S.S.R. Constitution on the leading role of the communist party was abolished. This paved the way for transformation of the one-party system into a multi-party system. The first political parties, which were essentially proto-parties, appeared in Kazakhstan. Their main program goals focused on the resolution of ethnic issues—the Alash Party of National Freedom (the Alash Party, April 1990), the Social-Democratic Party of Kazakhstan (SDPK, May 1990), the Zheltoksan National-Democratic Party (the Zheltoksan Party, May 1990), and the Azat Civilian Movement of Kazakhstan (Azat CMK, July 1990)—and of environmental problems—Nevada-Semipalatinsk IAM and the Aral-Balkhash movement.

On the whole, the political organizations of this period were small in size, obscure, and did not enjoy public support due to the conservative mindset of the population. The multi-party system that formed at this stage was distinguished by support of the socioeconomic reforms carried out in the U.S.S.R., on the one hand, and loyalty to the current regime, on the other. If these organizations were radical in any way, they expressed it only in their evaluation of the reforms and in criticism of the political leadership.

In September 1990, the development of the multi-party system in the republic entered the next stage (September 1990-March 1995). As we know, the Declaration on the State Sovereignty of the Kazakh S.S.R. of 25 October, 1990 proclaimed ideological and political diversity in the republic, which promoted the development of political pluralism.⁴ This was subsequently enforced by the Law of the Kazakh S.S.R. on Public Associations in the Kazakh S.S.R. (June 1991) and the Constitution of the Republic of Kazakhstan of 1993.⁵

The second stage demonstrated more vigor and diversity.

- First, the first officially registered political parties appeared: the Socialist Party of Kazakhstan (SPK, September 1991), the Republican Party of Kazakhstan (RPK, September 1991), the

³ See: S. Diachenko, L. Karmazina, S. Seidumanov, *Politicheskie partii Kazakhstana, 2000 god* (reference guide), Almaty, 2000, p. 289.

⁴ See: “Deklaratsiia o gosudarstvennom suverenitete Kazakhskoi SSR,” *Kazakhstanskaia pravda*, 28 October, 1990.

⁵ See: *Zakon Kazakhskoi SSR “Ob obshchestvennykh ob’edineniakh v Kazakhskoi SSR,”* Almaty, 1991; *Konstitutsia Respubliki Kazakhstan*, official edition, Almaty, 1993.

People's Congress Party of Kazakhstan (PCPK, October 1991), the Communist Party of Kazakhstan (CPK, October 1991), the Party of National Unity of Kazakhstan (PNUK, February 1993), the National-Cooperative Party of Kazakhstan (NCPK, December 1994), and the Party of Revival of Kazakhstan (PRK, January 1995).

- Second, during this time, sociopolitical movements actively came forward on a par with sociopolitical parties. Among the first were: Azat CMK, the Edinstvo (Unity) Interethnic Movement (Edinstvo IM, August 1990), the Pokolenie (Generation) Movement of Social Legal Protection of Pensioners (Pokolenie MSLPP, November 1992), the Union of National Unity of Kazakhstan Republican Movement (UNUK, February 1993), the Lad (Concord) Republican Public Slavic Movement (Lad RPSM, March 1993), and the Solidarnost (Solidarity) Workers' Movement of Kazakhstan (September 1994).
- Third, unregistered political parties also operated in the political sector: the Social-Democratic Party of Kazakhstan (SDPK, May 1990), the Alash Party, the Zheltoksan Party, the Party of Democratic Progress of Kazakhstan (DPK, November 1991), the Tabigat Party of Social Justice and Environmental Revival (Tabigat PSJER, May 1993), and others.
- Fourth, the sociopolitical associations functioning at this time were already distinguished by different ideological inclinations: socialist (SPK), liberal-democratic (PCPK, PNUK, NCPK), national-democratic (RPK, PRK), and communist (CPK).

The high level of activity of the democratic-nationalist parties and movements that arose on the wave of revival of the Kazakhs' national consciousness (the Alash Party, the Zheltoksan Party, RPK, and PRK) and the growth in anti-Russian moods that accompanied this process (Edinstvo IM and Lad RPSM) are a special trait of this period. These associations promulgated ideas of national statehood and put forward ethnic values. Such efforts gained significant electoral support in the struggle to make Kazakh the state language, adopt and execute the Declaration on State Sovereignty of Kazakhstan, the Law on State Independence of the Republic of Kazakhstan, and the Constitution of the Republic of Kazakhstan of 1993, preserve territorial integrity, and prevent regional separatism.

Some members of the national political elite, as well as some representatives of the Kazakh intelligentsia who considered themselves infringed upon in Soviet times strove to gain leading positions in the republic's politics and economy with the help of these parties. Non-indigenous residents, primarily Russians, created the parties for protecting their own civil and social rights.⁶

- Fifth, this period was marked by structuring of the political opposition with respect to the policy of the president and government of Kazakhstan. The opposition wing consisted of the SPK, CPK, PCPK, the Zheltoksan Party, Azat CMK, Lad RPSM, Pokolenie MLSP, and others. In addition, the first attempt was made to unite the opposition in the Respublika Coordination Council of Public Movements.
- Sixth, in March 1994, the political parties and public associations gained their first experience in participating in elections of deputies to the legislative body—the Supreme Council of the Republic of Kazakhstan of the 13th convocation.
- Seventh, whereas at the end of the 1980s the emergence of numerous public associations occurred spontaneously from below, the power structures now began to control it from above.

⁶ See: V. Babak, "Kazakhstan: How Its Multiparty System Came into Being," *Central Asia and the Caucasus*, No. 2 (32), 2005.

As Kazakh President Nursultan Nazarbaev noted in 1996, “the establishment of a party system in Kazakhstan is unique in the fact that it is being orchestrated from above.”⁷

- Eighth, this stage paved the way for a national dialog in the country between civil society and the government. It was launched by the Consultative Council (CC) of Political Parties and Public Associations, which included more than ten well-known political parties and movements of various ideological orientations, created in February 1993 on the initiative of the PCPK.

This structure functioned for a year, discussing the urgent problems of current life requiring coordinated actions at its meetings. The CC’s activity resulted in the drawing up of joint alternative proposals on issues relating to the state’s payment arrears to the population and its failure to carry out social security measures and on practical measures to bring more influence to bear on the legislative process. It also provided assistance in concluding a General Trilateral Agreement on the Fundamental Principles of Cooperation among the government, the Federation of Trade Unions of Kazakhstan, and the republic’s Union of Industrialists and Entrepreneurs.

Despite the fact that the government did not take direct part in the dialog, preferring (apart from signing the General Trilateral Agreement) to watch from the sidelines, the work experience of the Consultative Council led to President Nazarbaev addressing the public forces in March 1994 with a proposal to enter an Agreement on Public Consent. Taking into account the realities of Kazakhstan’s post-totalitarian society with its low political culture, this agreement would enforce the principles and provisions agreed upon by all the participants in the political process (primarily the political parties) that first of all ensured stability and civilian peace in Kazakhstan. And although this idea was not put into practice at the national level, it was supported by several political organizations, and in some regions of the country such an agreement was signed.⁸

On the whole, between September 1990 and March 1995, the transformation of sociopolitical organizations into parties and the formation of new parties were perfunctory in nature, since they were not supported by a broad social and electoral base, and their popularity depended on the personal activity of their leaders. At this stage, political parties continued to pose themselves as certain proto-party structures that did not have legislative support of their activity or any influence on the political processes in the country. They had a low level of political competitiveness, their activity was concentrated in the country’s center, and they had no regional branches.

The main milestones of the third stage of institutionalization of the multi-party system in Kazakhstan (April 1995–September 1998) were the development of political parties in the context of authoritarian democracy and the formation of a legal foundation for the multi-party system, which included constitutional enforcement of the ideological and political diversity in the country (1995) and adoption of the Republic of Kazakhstan Laws on Public Associations (May 1996) and On Political Parties (July 1996).⁹

All the registered parties continued to function at this stage. But new ones also appeared: the Democratic Party of Kazakhstan (DPK, July 1995) and the Republican Political Party of Labor (RPPL, September 1995). Unregistered party structures also continued to function. New sociopolitical movements began gaining renown: oppositional—the Azamat Civil Movement (Azamat CM, fall of 1995) and pro-government—the Liberal Movement of Kazakhstan (LMK, April 1997).

In December 1995, the political parties took part in the elections of deputies to the parliament of the Republic of Kazakhstan. And although other public organizations also had the right to nominate

⁷ N.A. Nazarbaev, *Na poroge XXI veka*, Almaty, 1996, p. 170.

⁸ See: S. Diachenko, L. Karmazina, S. Seidumanov, op. cit.

⁹ See: *Zakon Respubliki Kazakhstan “Ob obshchestvennykh ob’edineniakh,” Vechernii Almaty*, 31 May, 1996; *Zakon Respubliki Kazakhstan “O politicheskikh partiakh,”* official edition, Almaty, 1996.

their candidates, which eroded the status of the parties, the latter were able to build on the first experience they gained of independent participation in the election campaign in 1994.

Since 1996, trends have been designated in Kazakhstan toward political consensus between the political parties and the government, coordination, the formation of a mechanism of public consultations among the entities of the political system, and the state's targeted domestic policy aimed at realizing its national-state interests by democratizing society and establishing cooperation with political organizations.¹⁰

The People's Union in Support of Reforms Advisory-Consultative Association (ACA) continued enhancement of the national dialog in the country by holding a series of round tables in 1998 in which 18 political organizations participated. This process was aimed at unifying the pro-government parties that dominated in the ACA, while there were simultaneous attempts to bring structure to the opposition forces that consolidated within the framework of the National Front of Kazakhstan (NFK).

We will note that the third stage saw final confirmation of the institution of a multi-party system in Kazakhstan and its transformation into a customary attribute of life. The political parties are stating their views with increasing frequency and having some influence on the political processes in the country. People acknowledge that the ethnic problem is of a secondary nature and are moving away from populist democracy. Active inter-party building, development of a territorial party network, and improvement of the program base are underway.

At the same time, the party structures are very weak and unstable as far as organization goes. There is pluralism without an inter-party struggle. There are no effective legal levers of party influence on society. Many parties do not have the population's real political support. As a result, by the end of this period, development of the existing parties was limping. This was partly due to the fact that the majority election system without party lists that functioned at that time did not permit the parties to participate directly in the election campaign, which slowed down the formation of strong political parties.

When the fourth stage (September 1998-June 2002) began, the establishment and development of political parties entered a qualitatively new phase.

In his Address to the People of Kazakhstan in September 1998, the president stated that the government's development policy was aimed at democratization and political liberalization. This policy, among other things, was aimed at strengthening the parties' role in the political system.¹¹

The amendments to the country's Constitution in October 1998 and to the election law in May 1999 envisaged a new mixed election system.¹² Along with elections by districts, elections according to party lists were also introduced, for which an additional ten mandates appeared in the parliament's Majilis. This improvement of the election system made it possible for the parties to compete at the elections in December 1999 not only indirectly, by routing for their candidates to the election districts, but also directly, by putting forward party lists for a single nationwide district. As a result, these elections saw the first real inter-party struggle.

This innovation led to the formation of an entire galaxy of new political parties of different ideological orientations: the Civilian Party of Kazakhstan (CPK, November 1998), the Republican People's Party of Kazakhstan (RPPK, December 1998), the Agrarian Party of Kazakhstan (APK, January 1999), the Otan Republican Political Party (Otan Party, January 1999), the Azamat Democratic Party

¹⁰ See: S. Diachenko, *Partogenez v Kazakhstane: sostoianie, problemy, perspektivy*, KISI, Almaty, 1997.

¹¹ See: N.A. Nazarbaev, "Poslanie Prezidenta Respubliki Kazakhstan narodu Kazakhstana. 'O polozhenii v strane i osnovnykh napravleniakh vnutrennei i vneshnei politiki: demokratizatsiia obshchestva. Ekonomicheskaiia i politicheskaiia reforma v novom stoletii,'" *Kazakhstanskaia pravda*, No. 184, 1 October, 1998.

¹² See: *Konstitutsionny zakon Respubliki Kazakhstan "O vyborakh v Respublike Kazakhstan"* (with amendments and addenda), TOO Baspa, Almaty, 1998.

of Kazakhstan (Amazat Party, March 1999), the Democratic Party of Women of Kazakhstan (DPWK, June 1999), the Auyl Peasant Social-Democratic Party (Auyl Party, January 2000), the Party of Patriots of Kazakhstan (PPK, July 2000), and the Ak zhol Democratic Party of Kazakhstan (Ak zhol Party, March 2002).

As the republic's political history showed, the most significant and system-forming aspect for Kazakhstan was the restructuring of the pro-presidential forces and the creation of the Otan Party at the Republican Public Headquarters, which supported presidential candidate Nursultan Nazarbaev and united the PNUK, DPK, LMK, and the For Kazakhstan-2030 movement. This was done to prevent the votes from being spread among the parties of the pro-presidential camp, thus depriving these parties of the possibility of clearing the 7% barrier imposed by the proportional election system.

Although Otan appeared at a time of high competition, when the political spectrum was overflowing with all manner of parties, it already had clear advantages over its political adversaries from the very start.

First of all, as the Public Headquarters in support of President Nazarbaev at the elections, it had gained experience in political work both in the center and in the regions, in carrying out agitation and propaganda at the entirely new level of building a civil society. Plus the electorate associated the party with Nursultan Nazarbaev, the candidate it supported, so the majority continued to show its preference for Otan at the parliamentary elections.

Moreover, the headquarters' organizational and personnel network that spread throughout the republic as far as the cities and regions was the basis on which this new party was formed and significantly accelerated this routine work.

It was also important that the party obtained a large amount of initial resource support—organizational, personnel, and intellectual—from the PNUK, DPK, and LMK, which joined Otan with a good political reputation already intact, on the one hand, and enjoyed the administrative resource both in the center and in the regions, on the other.

And, finally, the interest in this party expressed by Nursultan Nazarbaev, who had not given particular preference to any of the political structures functioning in the country since 1991, turned into direct support of Otan when the president became a member of this party and its chairman.

All of this made it possible to classify Otan as an elite party with a serious future.

As was to be expected, the actions undertaken by the power structures during the election campaign to consolidate their political forces were crowned with success. The pro-government parties became the election campaign leaders among the ten political parties that put forward their party lists and gained the majority of seats in the lower house of parliament (the Majilis), both according to party lists and in one-mandate districts. In particular, according to the party lists, they acquired the absolute majority of seats (8 out of 10), four of which were taken by Otan, two by the CPK, and two by the APK. The opposition (in the form of the CPK) only received two mandates.

However, in the fall of 2001, an event occurred in Kazakhstan's political sphere that showed the ambiguity of the processes going on within the government itself. Some of the republic's leading businessmen, parliamentary deputies, cultural figures, and representatives of the independent media initiated the creation of the Democratic Choice of Kazakhstan Sociopolitical Movement (DCK). The DCK's declaration stated that Kazakhstan proclaimed itself to be a democratic state, but nevertheless remained a state with a centralized government. This, according to the founders of the DCK, could lead and was leading to many contradictions in the country's public life and to an increase in social tension, which is extremely detrimental to the development of statehood and the strengthening of the republic's economy. So the newly created movement was in favor of decentralization of state power, expansion of the rights and powers of the representative branch, introduction of electivity in the local executive branch, creation of a just and independent judicial system, restoration of the Constitutional

Court, creation of a system of election commissions independent of the executive branch, liberalization of media activity, and so on.

The DCK essentially set forth the views of the current opposition and the latter, in the form of the Forum of Democratic Forces of Kazakhstan, supported the movement's demands, although it also stated that it would only cooperate with it providing it confirmed its declaration in practice. However, the initiators of the DCK did not regard themselves as oppositionists. They also emphasized their complete support of the policy being carried out by the country's president, Nursultan Nazarbaev, and said they wanted to help the head of state open his eyes to the real state of affairs in the republic and undertake suitable measures to correct the critical situation.

In actual fact, the appearance of the DCK aggravated the struggle among various groups in the ruling elite for influence on the head of state and occupation of the key posts in the state apparatus, business sphere, and mass media.¹³ This is precisely why certain bureaucrats occupying prominent posts in the government and management system openly stated their participation in this movement. But such behavior by representatives of the government elite was unprecedented at the time, since it was not coordinated with the leadership. So it was evaluated as a threat to the current system of relations in the sphere of state governance and management. Consequently, Prime Minister Tokaev accused the DCK organizers of slander, putting pressure on the president, government, and parliament in order to realize their interests, inactivity on the job, and destabilization of the political situation in the country. On this basis he suggested that the president dismiss the government officials who participated in the creation of the DCK from their posts.

The head of state did indeed dismiss several people, but without harsh words and criticism, even expressing some regret about what had happened and the hope that these people would remain members of his team. This resulted in a split in the ranks of the DCK as early as March 2002, when some of the movement's organizers set up the moderate opposition party Ak zhol Democratic Party of Kazakhstan. The DCK, on the other hand, which supported the opposition forces of Kazakhstan, took up a radical position.

So at the fourth stage in the development of the country's party system, political parties became an independent influential democratic institution which the power structures can reckon with and rely on. The people of Kazakhstan also changed their attitude toward parties. The distance they maintained from the political structures was replaced with differentiation in party preferences. As a result, the political parties acquired a real social support base.

Party factions arose in the parliament's new composition. Their five years in the field yielded valuable experience in carrying out faction activity in the country's highest legislative structure.

The development of Kazakhstan's party system entered the fifth stage in June 2002. It continued until 2005. At this stage the political parties swelled their ranks, unregistered party structures left the political scene, the political clout of the functioning parties grew, stronger opposition party organizations appeared, sociopolitical movements had less influence on political life, and there was further institutionalization of the national dialog between the political parties and the government.

All of this was promoted to a significant extent by the new law on political parties adopted in the summer of 2002, which envisaged the re-registration of parties.¹⁴

Several inactive parties could not collect the necessary number of member signatures (50 thousand) for this and so they died a natural death (the RNPk, PRK, DPWK, the Azamat Party, the Alash Party, and the PCPK). The RPPT and NCPK decided to join Otan, which happened in November 2002.

¹³ See: A.E. Chebotarev, "Sozdanie 'Demokraticheskogo vybora Kazakhstana,'" 18 November, 2001, available at [www.kub.kz.home.php], archive.

¹⁴ See: *Zakon Respubliki Kazakhstan "O politicheskikh partiakh,"* official edition, Almaty, 2002.

As of 1 July, 2002, only seven of the 19 officially functioning political parties had re-registered: Otan, CPK, Ak zhol, APK, CPK, PPK, and the Auyl Party.

This stage was also marked by the appearance of new political structures. The Rukhaniat Party (April 2003) was created on the basis of the PRK, which failed to pass re-registration. In November 2003, the Asar Republican Party (Asar RP) appeared. On the basis of the DCK, the opposition formed the Democratic Choice of Kazakhstan People's Party (DCK PP, February 2004). In the spring of 2004, the Adilet Democratic Party of Kazakhstan (Adilet Party) was registered. The split in the Communist Party resulted in the appearance of the Communist People's Party of Kazakhstan (CPPK, June 2004). And the split in the Ak zhol Party resulted in the creation of the Real Ak zhol Democratic Party of Kazakhstan (Real Ak zhol Party, April 2005).

During this time, the opposition gained in strength. Its members boasted charismatic leaders who were well-known in the country and a product of the new economic and political relations. They had specific views and programs on Kazakhstan's further development and made significant adjustments to the country's official course. However the DCK PP's critical statements of the government prompted the Almaty city court to ban the party (January 2005).

Such changes in the country's party sector led to a much more honed and lively political struggle at the elections to the maslikhats in 2003 and to the Majilis in 2004. This was the first time the parties had an opportunity to use all political techniques available in the election campaigns of developed countries.

At this stage the interaction between the government and the sociopolitical institutions also underwent dramatic changes. There was further institutionalization of the national dialog in the form of ongoing consultations (PDC) of the country's political forces with the government's participation. These consultations were actively carried out in 2003. They involved representatives of the political parties, the country's parliamentary deputies, and other sociopolitical figures. The opposition ignored the consultation efforts, referring to the fact that the head of state was not participating personally in the national dialog. But even in this situation its role in the development of the dialog between the government and society is difficult to overestimate. The range of issues discussed at the PDC meetings proved to be good analytical material for the state structures in elaborating the further course toward democratization.

In the fall of 2004, the status of the dialog was raised when a National Commission for Democratization and Civil Society Affairs under the President of the Republic of Kazakhstan (NCDA) was created on the basis of the PDC. The NCDA functioned from 2004 to 2005. Its ranks were significantly replenished, its participants were divided into working groups, each with specific social tasks to deal with, and decisions were made at the government level. The opposition forces also took part in the activity of this commission.

Finally, another feature of the development of pluralism at this stage should be noted. The activity of the parties themselves changed. The largest of them—Otan, Asar, and Ak zhol—competed among themselves not only during the election campaign. They were constantly on the go, particularly in parliament and in the regions thanks to their well-developed party structure that reached as far as the auls and villages.

The presidential election held in 2005 showed the real achievements of party development. The parties were able to demonstrate open public activity, high mobilization of the electorate, a diverse arsenal of agitation work, new approaches to covering their activity in the mass media, and active assimilation of the information arena on the Internet.

The opposition parties were much more prepared for the 2005 presidential election than in the past. This was shown by the opposition's consolidation and the attempt to nominate a single candidate. Although on the whole the opposition was unable to even retain the electoral position it occupied at the 2004 parliamentary elections.

The second half of 2006 was marked by restructuring of the political forces. Otan was the clear leader in the party sector. The party's confident victory at the elections to the Majilis in 2004 and of its leader, Nursultan Nazarbaev, at the 2005 presidential election, as well as the reputable and constant support and attention toward the party from the head of state helped to raise its authority and image in the eyes of the Kazakhstani people, as well as promote their understanding of the role of parties in the state's political system.

On 4 July, 2006, two large parties—Otan and Asar—merged into a single political party under the aegis of Otan. The ranks of the pro-presidential bloc continued to swell in November–December when the Otan party was joined by the Civilian and Agrarian parties, and Otan itself was renamed the Nur Otan People's Democratic Party (the Nur Otan Party). As a result, the total number of members in the rejuvenated party amounted to around one million, which made it a real party giant: Kazakhstan had never had such a large party in its entire independent history. Its rating at the end of 2006 topped 60 percent, and this was the highest index among all the parties.¹⁵

The government was the initiator of this process. In particular, at the 9th congress of the Otan Party and later at the 7th congress of the Civilian Party of Kazakhstan, President Nursultan Nazarbaev emphasized the need for a national party with a strategic vision of the country's development. Such a party should enjoy mass support and powerful organizational and intellectual resources corresponding to the strategic tasks facing Kazakhstan and permitting it to successfully implement the national idea—a strategy designed to place the country among the 50 most competitive nations of the world.¹⁶

Deputy head of the presidential administration M.S. Ashimbaev noted that “the time has come for the concepts ‘party in power’ and ‘ruling party’ to be filled with specific content. The Otan Party won the elections to the Majilis, Senate, and maslikhats. And in our specific case, the united Nur Otan Party should be transformed into a real party in power. And not only real, but also effective. The party in power should take active part in forming the government. It should efficiently explain the policy carried out by the country's leadership, ensure public support of the government's undertakings, uphold the government's policy in the face of the opposition, ensure feedback with the population, and so on. That is, it should carry out targeted ideological and explanatory work. This complies with the generally accepted approaches throughout the world. The party, its members, and its apparatus should all have the necessary level of preparation.”¹⁷

As for unification of precisely those political parties that take this step, this is entirely predictable, legitimate, and logical. The platforms of four parties were very similar. The current president was the leader of them all, so their electorate overlapped. In addition, these parties formed a single coalition at the presidential election of 2005 by acting with the joint support of Nursultan Nazarbaev. All these components, according to the party leaders, were a legitimate basis for merging, which should have promoted the creation of a strong, effective, and competitive party system in Kazakhstan.

The government's efforts to build a single mass, responsible party supported by most of the population and possessing all the necessary resources led to the conclusion that a mature and developed party system was the key link in the political process at this stage and that a multi-party system with a principal party was forming in Kazakhstan. In this respect, positive shifts were occurring in party-building and an important trend was clearly seen: minimization of the party system and formation of large parties that clearly expressed the interests of the main social groups.

¹⁵ See: P. Karavaev, “Maulen Ashimbaev: Nam nuzhna deistvennaia partiia vlasti,” *Liter*, 29 December, 2006.

¹⁶ See: N.A. Nazarbaev, *Vystuplenie na IX s'ezde Respublikanskoi politicheskoi partii “Otan,”* 7 July, 2006, available at [www.akorda.kz], official site of the President of the Republic of Kazakhstan; idem, *Vystuplenie na VII s'ezde Grazhdanskoi partii Kazakhstana,* 10 November, 2006, available at [www.akorda.kz], official site of the President of the Republic of Kazakhstan.

¹⁷ P. Karavaev, op. cit.

Researchers began actively expressing their opinions about the kind of party system Kazakhstan needed in 1999 when such a promising actor as Otan appeared on the party scene. It was presumed that events could develop in the most diverse way: a party system with Otan as the principal party, a multi-party system with a coalition government, a two-party system, or a two-bloc party system.¹⁸

It is known that the creation of a particular party system in each specific country greatly depends on the state's election system, which determined the number of parties, their size, the specifics for forming party coalitions, the amount of representation in parliament, and so on. This reflects the principle formulated by Maurice Duverger, in compliance with which proportional representation promotes a multi-party system, whereas the majority election system with voting in one round tends toward a two-party system.¹⁹

In the Republic of Kazakhstan, the introduction of the procedure for electing ten parliamentary deputies according to party lists in October 1998 along with the existing majority system helped to structure society in accordance with political interests and led to the appearance of six new political parties. As a result, the trend toward the emergence of new party structures is observed right up until today. So it would seem that Kazakhstan should form a multi-party system with a coalition government. But this is impossible since there is no legislative provision that envisages formation of the government by means of political parties gaining seats in parliament. In addition, the creation of Nur Otan, as already noted, led to its domination in parliament. And this gives rise to a different type of party system with a principal party (one-and-a-half party) in compliance with which one party regularly wins the elections and dominates in the power structures for years on end despite basic democratic procedures and a multitude of parties. The president himself talked about the possibility of Kazakhstan arriving at that type of party system, referring to the experience of Sweden, Japan, Malaysia, Singapore, India, and Mexico.²⁰

However, the republic's movement toward building a party system with a principal party aroused a wave of criticism from the opposition parties and several researchers.

Some thought that reform of the party system boiled down to creating a super party, Nur Otan, which in terms of its work methods and bureaucrat membership would be more like the Communist Party of the Kazakh S.S.R. than a democratic party created for parliamentary work.²¹

Others presumed that since the non-constructive opposition had been relegated to the periphery of political life, consolidation of the party in power might lead either to a total loss of citizens' interest in politics or to a social explosion. For a long time the situation involving pocket parties was kept under control precisely because of their functional fragmentation. Now, taking into account the size of the party that has emerged, the situation could change in a relatively short time.²²

Others were sure that all attempts to create any kind of party-political system would fail because this process should occur naturally. Attempts to simulate a system, be it bi-party or tri-party, might end in society's rejection of it.²³

Still others did not exclude the possibility of creating a two-party system along the lines of the American one.²⁴

While still others claimed that since the main characteristic of any party system is not the total number of parties, i.e. the quantitative aspect, but their qualitative interaction with each other and with

¹⁸ See: A.E. Chebotarev, S. Ismailova, "Partiinoe stroitelstvo v Kazakhstane prodolzhaetsia," *XXI vek*, 11 March, 1999.

¹⁹ See: O.Z. Mushtuk, *Politologiya: Uchebnoe posobie*, Market DS, Moscow, 2006, pp. 373-374.

²⁰ See: N.A. Nazarbaev, *Vystuplenie na IX s'ezde Respublikanskoi politicheskoi partii "Otan"*, 7 July, 2006.

²¹ See: F. Asimov, "'PR' v otsenke dostizhenii nezavisimogo Kazakhstana za 15 let," 20 February, 2007, available at [www.kub.kz].

²² See: M. Babaev, "Zachem ob'ediniat partiiu vlasti posle vyborov?" *Rossiiskie vesti*, 23 October, 2006.

²³ See: L. Chen, V. Radionov, "Partii budet dve ili bolshe? Realno li sozdat v Kazakhstane dvukhpartiiniu sistemiu po obraztsu Soedinennykh Shtatov? Mnenie ekspertov," 9 February, 2007, available at [www.kub.kz].

²⁴ See: Ibidem.

the government, which is only possible if there are equal conditions for all the political players and, alas, is missing in Kazakhstan at present, all the talk about a multi-party or two-party system in the country is nothing more than empty babbling.²⁵

However, there were also supporters of the opinion that Kazakhstan is sooner leaning toward the creation of a one-and-a-half-party system that could be formed on the basis of one principal party striving to gather one half to two thirds of the parliamentary seats (at that time this is what Nur Otan was reckoning on). While all the other parties would gather one third of the mandates and either join a coalition with the principal party or remain opponents without any chance of coming to power.²⁶

According to the author of this article, the type of party system could only be determined based on the results of the amendments to Kazakhstan's legislation. The merging of political parties in itself does not signify the creation of a ruling party. As we know, the party that obtains the majority of seats in parliament at the elections is the ruling one. It forms the government or acquires the most ministry portfolios and participates directly in drawing up a development and state management strategy by carrying out its party program.

Nur Otan indeed had the absolute majority in the parliament at that time and many ministers were its members. But according to the legislation in effect at that time the government was formed not from candidatures offered by the party of the majority, but by the president at the proposal of the prime minister.

The State Commission on Drawing Up and Specifying the Program of Democratic Reforms under the Kazakhstan president (GKVD), which was created in 2006 and was the legal successor of the NKVD for organizing the national dialog in Kazakhstan, suggested changing this state of affairs. Incidentally, ultimate institutionalization of the national dialog and its entry into the final phase is a distinguishing trait of the fifth stage in the development of the multi-party system in the country. President Nazarbaev's personal participation in the work of the GKVD raised the dialog platform to the highest level of national debate, giving it a status of state importance.

From 2006 to the beginning of 2007, six commission sittings were held, within the framework of which, among other things, the problem of further development of the country's party sector and raising the role of the parties in its political system was actively discussed. At the final, sixth, sitting, President Nazarbaev said: "The time has come to look at the question of the prime minister gaining the support of the party of the parliamentary majority before occupying his post. This is world practice, and we should also rely on it."²⁷ The commission's work resulted in practical proposals being formulated regarding the main vectors of the country's political modernization.

The fifth stage in institutionalizing Kazakhstan's party design was also marked by the emergence of other party structures. At the same time as the parties of the presidential wing that united in the fall of 2006, a rightist-centrist party, Atameken, and two opposition parties, the National Social-Democratic Party (NSDP) and Alga People's Party (Alga Party), appeared.²⁸ Admittedly, only the NSDP was officially registered at the Ministry of Justice.

In 2007 Kazakhstan entered the sixth, current, stage of party-building. Its starting point was the second constitutional reform of May 2007. The amendments to the country's Constitution resulted from the implementation of the National Program of Political Reforms that was launched in 2005. Within

²⁵ See: G. Dyrina, "Dosym Satpaev: Konservatorov i 'iastrebov' vokrug prezidentskogo ukha bolshe, chem liberalov i storonnikov 'politicheskogo dialoga,'" *Respublika*, 9 February, 2007.

²⁶ See: L. Chen, V. Radionov, *op. cit.*

²⁷ *Vystuplenie N.A. Nazarbaeva na VI zasedanii Gosudarstvennoi komissii po razrabotke i konkretizatsii programmy demokraticeskikh reform 19 fevralia 2007*, available at [www.akorda.kz], official website of the President of the Republic of Kazakhstan.

²⁸ See: "Sozdana novaia partiia 'Alga,'" available at [www.npdvk.kz]; "Tuiakbai vozglavil 'Obshchenatsionalnuiu sotsial-demokraticeskuiu partiuiu,' a Kozhakhmetov—ocherednuiu 'Algu,'" available at [www.svobodanews.ru].

the framework of the GKVD program, specific proposals were prepared on the further modernization of the political sphere which formed the basis of the draft Law on Introducing Amendments and Addenda to the Constitution of the Republic of Kazakhstan, which was adopted by the parliament. The amendments to the Constitution changed the status and raised the role of political parties.

Specifically, deputies are now elected to the lower house of parliament, the Majilis, according to the proportional election system. For this purpose, the number of deputies in the Majilis was increased from 77 to 107, 98 of whom are elected according to party lists.

The proportional system of elections forms a party parliament, which entails questions of party discipline during voting. This is difficult if the deputies have free mandates. So the provision that a parliamentary deputy should not be bound to any imperative mandate was removed from the Constitution. This provision also presumes that a Majilis deputy is deprived of his deputy mandate when he leaves or is dismissed from the political party he was elected from, or when this party is liquidated.

The provision on the president ceasing his participation in a political party during his term in power was also removed from the Constitution. So the post of head of state became party-affiliated.

The new constitutional provision that the president appoints the prime minister only after consulting with the factions of political parties and with the consent of the majority of Majilis deputies put an end to the question of granting the parties the right to form the government. Now the concept “party in power” applies to the Kazakhstani party sector, while political parties are responsible for the classical role of this institution in countries with developed democracies. The prime minister represents the party of the parliamentary majority and the government should carry out the program of the party or coalition that won the elections. This raises the role of political parties in forming the government and the party of the parliamentary majority’s responsibility for its formation and its subsequent actions.

Introduction of the provision that the candidature of the future prime minister will be discussed at the faction meetings created a legal foundation for raising the role of the party factions in parliament. This is also promoted by the provision on the cancellation of a deputy’s free mandate, since it gives the factions the possibility of determining how deputies should vote at house sittings.

Removal of the provision on the prohibition of state financing for public associations also placed Kazakhstan’s party legislation on the same level as the legislations of developed states, where such a regulation has been in effect for several decades now. The activity of political parties has been partially financed since January 2008 from the republican budget.

Adoption of the amendments to the Constitution led to disbandment of the parliament and the holding of early elections to the legislative body on 18 August, 2007.

Seven political parties which put forward their party lists participated in these elections: Nur Otan (it nominated 125 people according to the list), the NSDP (80 people), Ak zhol (98), the CPPK (20), the Auy! Party (33), the PPK (11), and the Rukhaniyat Party (9). The Communist Party of Kazakhstan boycotted the elections to the Majilis motivating its refusal to participate by the fact that the communists are against the proportional election system, since “the candidate on the party list is like a pig in a poke, the people do not know him.” The Adilet Party participated in the elections under the banner of Ak zhol after “uniting” with it on the eve of the elections. The Real Ak zhol Party and the NSDP created a similar structure. These unions cannot be called election blocs since the amendments made to the Law on Elections in the Republic of Kazakhstan on 19 June, 2007 deprived political parties of the right to form election coalitions,²⁹ although the parties united as early as the spring of 2007 for precisely that purpose—to participate in the elections as a single bloc. They also intended to form united

²⁹ See: *Konstitutsionny zakon “O vyborakh v Respublike Kazakhstan,”* available at [http://election.kz/portal/page?_pageid=73,48269&_dad=portal&_schema=PORTAL].

political parties on the basis of these coalitions after the elections, but as time showed, after 18 August each party continued to act independently. So, based on the letter of the law, neither Adilet nor Real Ak zhol participated in the elections.

According to the results of the elections, with a voter turnout of more than 68%, Nur Otan was the winner with 88.41% of the votes. The rest of the votes were distributed as follows—the NSDP gathered 4.62%, Ak zhol 3.09%, the Auyl Party 1.51%, the CNPK 1.29%, the PPK 0.78%, and the Rukhaniat Party 0.37%. In other words, apart from Nur Otan, not one party was able to overcome the 7% representation barrier.

The results of the elections in the context of the new party legislation indeed designated the outlines of a party system with a principal party, which was Nur Otan.

These elections were dramatically different from all the previous ones in terms of how they were conducted and the results obtained. The introduction of a proportional electoral formula made it possible for the “party in power,” Nur Otan, to take 100% of the seats in the legislative body. At first glance, this contradicts the very essence of elections according to party lists that offer the political parties more opportunity than under the majority system to place their representatives in the country’s higher legislative body.³⁰ But here we should keep in mind the institutional and political context that had developed by the time the proportional system was introduced.³¹

Official justification for electing deputies to the parliament’s Majilis exclusively according to the proportional system was based, first, on the need to increase the chances of the opposition and small parties to be represented in the country’s legislative body and ensure fair representation in the context of a multi-ethnic and multi-confessional state, which Kazakhstan is. Second, Kazakhstan had instituted a party government and it was important that the leading political parties participate in this process. In support of the official position, it should also be added that a change in the electoral formula from mixed to proportional would be a stumbling block for authoritarianism currently being manifested in Kazakhstan, which presumes the country’s further progress toward democracy. It is these motives that explain the growing world trend toward countries transferring to the proportional election system.

Indeed, the official version, as the classical system with essentially no glitches, functions in countries with a parliamentary form of rule. However, the combination of a strong presidential system and proportional rules is not that widely represented in world political practice,³² and, consequently, cannot serve as unconditional confirmation of those advantages that the proportional electoral formula has.

In addition, the introduction of a proportional system for electing deputies to the lower house in the context of a strong presidential system harbors certain dangers associated with the interrelations between the executive and legislative branches of power. If the president and parliamentary majority belong to different parties, this will raise the government’s conflict potential, whereas if they belong to the same party this could lead to domination of the executive power over the legislative. As N.V. Anokhina and E.Iu. Meleshkina note, “the second threat could develop if rules and practices exist that promote the domination of one political force.” But, on the other hand, if this “threat,” just like the domination of one party, is in the interests of the government, the latter could quite easily cultivate them with the help of the parameters of electoral competition.³³

³⁰ See: M. Duverger, *Politicheskie partii*, Transl. from the French, 3rd ed., Akademicheskii proekt, Korolev, Paradigma, Moscow, 2005, pp. 300-301 (French edition: M. Duverger, *Les Parties Politiques*, Seuil, Paris, 1951; English translation: M. Duverger, *Political Parties*, Wiley, New York, 1954).

³¹ See: N.V. Anokhina, E.Iu. Meleshkina, “Proportionalnaia izbiratelnaia sistema i opasnosti prezidentsializma: rossiiskii sluchai,” *Polis*, No. 5, 2007, p. 8.

³² See: *Ibidem*.

³³ See: *Ibid.*, p. 2.

The main parameters of election systems include the following: the way the votes obtained are transferred into deputy mandates (electoral formula), the number of mandates distributed in the district (size of the district), the percentage of votes the candidates must gather in order to acquire a seat in parliament (representation threshold), and bulletin structure.³⁴ In so doing, the government can increase the “shortcomings” of the electoral formula in the context of a strong presidential republic by means of the size of the district and representation threshold.

Taking the latter into account, it appears that in actual fact the Kazakhstan government has decided to change the type of election system not only and not so much in order to strengthen the multi-party system and fair representation, but in order to enhance the designated outlines of the party system with a principal party and strengthen the position of this party. The following arguments can be put forward to justify this thesis.

According to American researchers R. Taagepera and M. Shugart, the size of the district has the greatest influence on proportionality: systems with a size of one to five are strong, since they put pressure on the voters, creating stimuli for developing large parties and reducing fragmentation of the party arena.³⁵ The proportional system in Kazakhstan is used within a single national district. In Kazakhstan today only Nur Otan is a mass political organization that has subdivisions in a wide variety of administrative-territorial units, including the smallest. Consequently, the use of a strong district will definitely be beneficial for the pro-government party.

A single national district is a large district, the size of which makes it impossible to use the system of open party lists, when the voter can vote not only for the list of the political party, but also for specific candidates from different lists, which naturally raises the parties’ chances of obtaining votes. Consequently, the logical use of closed lists in this case also helps to strengthen the position of the principal party, which is happening in Kazakhstan.

The success of the “party in power” is also increased by the defeat of the other parties that did not overcome the restricting barrier. It is logical that the height of this barrier, if it is not the threshold for the dominating party itself, will be a good restraining mechanism against an increase in pluralism of the parliament. In Kazakhstan, the representation threshold is 7%. But, as follows from the election results, even 5% would not have created any competition for Nur Otan in the current composition of the parliament.

In addition to the indicated parameters of the election systems—district size and representation threshold—additional possibilities of electoral competition are used in Kazakhstan for fortifying the position of the party in power. In particular, the introduction of a provision on the possible formation of a coalition government by the winning political parties makes coalition of its adversaries at the elections dangerous for the principal party. In this case, despite the proportional system, the possibilities of which significantly restrict the desire of parties to enter election campaign blocs, since their “independent performance at elections does not do them any harm,”³⁶ the parties see no other way to oppose domination than to unite into alliances. Keeping this in mind, the provision of the Law on Elections in the Republic of Kazakhstan on the right of political parties to form election coalitions was also removed.

All of these “unseen” and “unvoiced” possibilities of the proportional system coupled of course with the charisma of Nursultan Nazarbaev, who heads Nur Otan, the weakness of Kazakhstan’s opposition parties, as well as the use of the administrative resource led to absolute representation in the parliament Majilis of the pro-government party and defeat of the opposition. It is thought that with

³⁴ See: R. Taagepera, M.S. Shugart, “Opisanie izbiratelnykh system,” *Polis*, No. 3, 1997; A. Lijphart, *Electoral Systems and Party Systems. A Study of Twenty-seven Democracies 1945-1990*, Oxford, 1994.

³⁵ See: R. Taagepera, M.S. Shugart, op. cit.

³⁶ M. Duverger, op. cit., p. 311.

such characteristics, Nur Otan is guaranteed super representation in the legislative body and in the next election cycle.

So the dichotomy of the combination of a strong presidential system with different versions of the proportional election system expressed in the fact that this combination leads either to unresolved opposition among the branches of power or to concentration of power in the hands of one political actor is represented by the second version in Kazakhstan's case. In other words, the introduction of proportional representation in the lower house of parliament in May 2007 was used as a way to reduce the cost of forming a party system with Nur Otan as the principal party, and ultimately to boost the authoritative power of President Nazarbaev, who is the chairman of this party.

To sum up, it should be said that the ten political parties officially functioning today in the party sector (the CPK, the Auyt Party, the PPK, Nur Otan, Ak zhol, the Rukhaniat Party, Adilet, the CPPK, Real Ak zhol, and the NSDP) largely represent a sustainable political state institution—an inviolable attribute of public life, are one of the important factors of modernization of the country's political system, and have found their sociopolitical niche in the minds and conscience of some of the Kazakhstani people.

The model of a party system with a principal party, which has recommended itself well in several modernizing Asian and Latin American countries, is being implemented in the republic. The principal Nur Otan party has been created, which in time, according to the intentions of the country's leadership, should become the backbone for the entire party-political system, the main regulator of all the difficulties and contradictions existing and predicted in the foreseeable future in the development of Kazakhstan's society.

At the same time, in the context of the one-and-a-half-party system forming on the basis of the principal Nur Otan party and its absolute representation in the lower house of parliament the parties are having a weak influence on the political processes. In addition, several parties (the CPK, the Auyt Party, the PPK, the Rukhaniat Party, Adilet, and the CPPK) are showing the artificiality of their formation and activity, as well as the absence of broad support from the Kazakhstani people and of competitive development programs.

Despite the profundity of the changes regarding the role of parties in the country, the constitutional reform of 2007 had essentially no impact on the party climate in the republic, developing its legislative potential only for the party in power.

**ENERGY POLICY AND
ENERGY PROJECTS****EUROPEAN ENERGY SECURITY AND
THE BALKANS:
A BATTLEGROUND FOR
THE U.S.-RUSSIA STRUGGLE FOR
THE GEOSTRATEGIC CONTROL OF
EURASIA****Thrassyvoulos (Thrassy) N. MARKETOS**

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Europe's natural gas demand is projected to increase substantially in the future. Even under conservative scenarios, the demand for importing natural gas to the EU will double from 200 billion cubic meters (bcm) per annum in 2002 to 400 bcm by 2030, with total demand rising from 400 bcm to up to 600 bcm in same period.¹ The

¹ See: G. Feller, "Gas Pipelines Vital For European Security," *Pipeline and Gas Journal*, October 2004.

greater portion of this increase is likely to come from gas producing countries of Eurasia. Indeed, significant untapped production capacity likely to emerge in Europe's neighborhood is mainly located in Russia and the Caspian Sea basin—adjoining the Wider Black Sea region.

To transport these energy resources in Europe, of course, requires the building of new transportation networks. Yet unless such alternative delivery options are constructed to bring natural

gas from fields in Azerbaijan, Turkmenistan and Kazakhstan to Europe, Russia is likely to fill the vacuum by controlling the transportation of this region's gas—using its monopoly position in Central Asia to buy gas cheaply and using its monopoly of supply in Europe to sell gas at several times the price to Europe.

The Kremlin has been using Russia's recently acquired economic might, by virtue of the high price of oil and unprecedented demand for natural gas, to pursue one of its primary foreign policy goals: to become the world's primary supplier of energy resources. To this end, it keeps a tight grip on purchasing and transporting of the oil and gas resources of the former Soviet Union republics.

The tragic incidents of 9/11 and the resulting fundamental reverse of the U.S. geopolitical and strategic priorities, have tremendously favored Russia's international positioning. The great rift that separated western European states and Washington due to the war against Iraq, reinforced Moscow political clout in Europe on one hand, but on the other the political turmoil in Ukraine in the aftermath of the 2004 elections pointed out the always striking importance of the nowadays so-called forgotten geopolitical boundaries of the Cold War era.

Evidently, the fall of Communism in December 1991 and the "End of History" was not equally the end of the "Great Game" for the control of the international geopolitical chessboard. Following the Kiev crisis, the sui generis politic and economic modus vivendi between the newly independent states of Eastern Europe and the Russian Federation was severely shocked, the same as the relations between Moscow and Washington.

These developments urged the Kremlin to enforce the Mediterranean specter of its foreign policy, wishing a tightening of trade and business cooperation with the states of the region, and eventually an increase of Moscow's political influence in the Balkans. In particular, deepening relations with Turkey was always at the core of Moscow's intentions due to the geopolitical importance of the Straits through which the Russian Mediterranean flotilla and about 70 percent

of its foreign trade pass. In addition, Turkey's geographic proximity to the Middle East attracts Russia's interest due to that region's inherent instability, which is suitable for future economic and political "investments."² Generally speaking, the geographic component plays a particularly important role in both countries political will for the tightening of their bilateral relations. Both Russia and Turkey border the Black Sea, envision the deepening of their political and cultural relationship with the Caucasian and Central Asian states, and give a priority to dealing with terrorism.

Unfortunately, this communality of interests does not provide the necessary basis for the funding of a purely strategic cooperation. Turkey's special relationship with the U.S. in nowadays sui generis international community's geopolitical situation, characterized by a U.S. unilateral political and economic preponderancy, nullifies any eventual political benefits because of the persistence of the geopolitical Cold War terms in Moscow's relation with Washington.

Answering this New World Order equation, Russia's foreign policy in the Putin era, promotes cooperation as a new perception of balance in diplomacy. The ultimate goal lies in the so called "Integration Russian Style," a multi-vector strategic approach of Moscow's direct vital space, i.e. that of the post-Soviet states, both in economic and political terms.³ In the pursuit of this goal, the Kremlin aspires for a mutually beneficial cooperation with both the West and the East in the context of a well-structured and long-term global strategic plan aiming to regain its hegemonic role, at least at a restricted local or regional level.

Russia, realizing its diminished clout in the Balkans, worked since 2001 onward for the revitalization of its relation with Turkey. The Kremlin's strategy also attributed a "special" friendly

² "The New World Order, Greece, Turkey and the Cypriot Problem," ed. by Ch. Giallourides, P. Chakonas, Sideris Editions, Athens, 1993, p. 275.

³ See: G. Carabelias, M. Kyriakidis, "The Mediterranean Vector of Putin's Foreign Policy: A Turkish Component Versus a Greek One?" *Defensor Pacis*, Defense Analysis Institute, Athens, 22 February, 2005, p. 11.

relationship to Greece, resulting from the long standing historic, religious and cultural bounds of the two countries. The common declaration stipulating the tight cooperation between Russia and Greece in the fight against terrorism (2004) is the first such text signed with a Member State of the European Union, and non-permanent member of United Nations Security Council. Equally important for Moscow's reaffirmed economic presence in the Balkans is the signing of the contract for the Burgas-Alexandroupolis oil pipeline construction (2007). This pipeline is considered to be the most attractive bypassing project for Russia because neither Kyikey nor Ibrikhaba—the Turkey's counter proposal trajectory—currently have a port infrastructure. Except of creating an alternative southern route, this pipeline boosts and establishes the Russian influence in a region where the U.S. maintains an important political, economic, and mostly military presence.

Russia has had a clear and discernible policy regarding energy resources as relates to both Europe and the Wider Black Sea region. This policy has consisted of a number of facets, all of which have sought to capitalize on energy as the main vehicle for strengthening Russia's influence over its neighboring regions. The strategy has had several main aspects: state control over the production of gas for export; keeping a monopoly on acquiring Central Asian gas at cheap prices; achieving increasing dominance over the European consumer markets; and utilizing dominance over both the import from and export to CIS countries of gas for political purposes.

On the foreign policy front, the main purpose has been to secure Moscow's monopoly on the transit of all oil and gas from the former Soviet republics to consumer markets in Europe, which is equal to securing Russian control over the energy exports of the states of the Caspian region. With regard to non-energy producing former Soviet republics, ranging from the Baltic states to Ukraine and Georgia, Moscow has used its continuing monopoly on energy deliveries for political purposes. Equally important, Moscow has sought to sustain its control over the former Soviet Union's oil and gas supplies. In

trying to overcome the loss of total monopoly on Western Caspian oil with the building of the Baku-Tbilisi-Ceyhan pipeline, it prioritizes continued monopoly over Caspian gas from both the western and eastern shores. As far Azerbaijani gas is concerned, Russia's monopoly is threatened by the project of the Baku-Erzurum pipeline, flowing in parallel to the BTC oil pipeline.

However, Moscow has tried to offset the loss of control over Azerbaijan's oil supplies by seeking to commit the Turkish market to growing volumes of Russian gas supplies. This prospect was greatly aided by the building of the Blue Stream pipeline, crossing the Black Sea, delivering an eventual 10 bcm or more to Turkey by 2010. The Turkish market is already heavily overcommitted in terms of gas, having committed to supplies from Azerbaijan, Turkmenistan, Iran and Russia, as well as LNG from Algeria and Nigeria that the Turkish market cannot absorb. Turkey's natural gas consumption, standing at over 20 bcm per year, has grown tremendously in the past decade and is set to grow even further.⁴ But at present, Turkey has found itself in a situation where Russia supplies ca. 65 percent of Turkey's gas.

The building of the Blue Stream pipeline—a 743 mile long, \$3.2 billion project—cemented Moscow's influence on the Turkish gas market. This entails that Turkey is in no position to buy volumes of Azerbaijani gas from Shah Deniz beyond the phase one gas supplies from 2007 to 2011. The larger volumes to be produced from 2012 onward can simply not be consumed by the Turkish market, forcing producers to find alternative markets.

It is in this context that one should see Moscow's ambitions to have Russian gas flow through the Blue Stream pipeline and from there onward to Central European markets. In principle, Moscow's strategy is to shut out alternative transit routes from the Caspian region by commit-

⁴ See: S. Cornell, A. Jonsson, N. Nilsson, P. Hägström, "The Wider Black Sea Region: An Emerging Hub in European Security," "Europe's Energy Security: Role of the Black Sea Region," *Central Asia-Caucasus Institute, Silk Road Studies Program*, December 2006, p. 80.

ting Russian gas to Europe from a variety of transit routes that will fill up capacity that could be utilized by Caspian producers. It is exactly in this context that the North European Gas Pipeline should be seen. This pipeline, to stretch from Russia's short coast on the Baltic Sea across the seabed to Germany, will cost approximately \$10.5 billion. This exorbitant cost makes the pipeline much more expensive than a line crossing Ukraine or Belarus, for the very purpose of achieving an export pipeline that does not cross former Soviet republics on its ways to European markets. In other words, Gazprom will be able to cut gas supplies to Ukraine without European customers having to be affected. By the same token, an expanded version of the Blue Stream pipeline would allow Gazprom to commit volumes of gas, probably taken from Central Asia, to European markets—mainly Germany—through Turkey, thereby hindering Caspian gas suppliers from selling gas to European markets independently.⁵

⁵ See: *Ibid.*, p. 81.

Yet Moscow's energy strategy does not stop at this. Beyond seeking to sustain a monopoly on European gas supplies from the East, it is also seeking a greater influence over other alternative supplies to Europe, primarily from Northern Africa. Indeed, Moscow has aggressively pushed for influence over Algerian and Libyan exports to Europe. As Vladimir Socor observes, "In Algeria's case [the third largest gas supplier to Europe], Russia has successfully offered multibillion-dollar arms deliveries as well as debt write-offs in return for starting joint extraction projects in Algeria and joint marketing of the fuel in Europe."⁶ This and similar Gazprom activity in Libya has led to growing worries that Moscow is seeking to build a gas cartel to control prices to Europe. Indeed, a NATO report leaked in November 2006 indicated that these concerns are taken seriously by western leaders.⁷

⁶ V. Socor, "Seven Russian Challenges to the West's Energy Security," *Eurasia Daily Monitor*, 6 September, 2006.

⁷ See: D. Bombay, N. Buckley, C. Hoyos, "NATO Fears Russian Plans for 'Gas OPEC'," *Financial Times*, 14 November, 2006.

Natural Gas Transportation Routes Propositions

The Caspian alternative to increasing dependence on Russia was implicitly acknowledged by the EU through the realization of the INOGATE project, implying the construction of pipelines that will connect Europe to the gas producers of the Caspian region. This process is already in course—through the integration of European gas transportation networks, on the one hand, and the building of a new energy transportation infrastructure connecting Azerbaijan to Turkey, on the other hand. As such, there are two major priorities for the realization of the U.S. sponsored East-West corridor: linking the Turkish gas network to the European one; and linking the West Caspian to the East Caspian by Trans-Caspian pipelines. This project, called by its American sponsors "White Stream," will create a virtual South Caucasian corridor to Europe, and can be complemented—if found economically viable—by a connection linking the Southern Caucasus to Ukraine across the Black Sea.⁸

The first project envisions the construction of the Aktau-Baku Trans-Caspian oil pipeline and the Turkmenistan-Azerbaijan natural gas pipeline, two major projects likely to instigate geopolitical competition not only among Russia and the United States, but also China. China's growing dependency on foreign oil and gas and its policy to diversify its energy supply routes by using the Caspian

⁸ See: V. Socor, "Trans-Black Sea Pipeline Can Bring Caspian Gas to Europe," *Eurasia Daily Monitor*, 7 December, 2006.

region deposits, will eventually come up to tension between Washington and Beijing over their respective interests in the Caspian region.

The Aktau-Baku oil pipeline will allow Kazakhstan to transfer its oil using the existing Baku-Tbilisi-Ceyhan pipeline. As far as the Turkmenistan-Azerbaijan natural gas pipeline is concerned, it will be linked to the Baku-Tbilisi-Erzurum pipeline with its extension to Ceyhan. This project's successful realization though, depends on the settlement of political disputes between Turkmenistan and Azerbaijan, and the agreement between all five littoral states on the legal status of the Caspian Sea. In particular, Iran and China will be a primary challenge with respect to the Turkmenistan-Azerbaijan gas pipeline, while Russia's attitude will be crucial as far as the Aktau-Baku sub-sea oil pipeline is concerned.

The Kazakh natural gas will then join the Baku-Erzurum pipeline and from there the Nabucco pipeline project, which proposes to link Turkey's borders with Iran and Georgia to the Austrian terminal of Baumgarten, crossing Bulgarian, Rumanian and Hungarian territory. The pipeline, approved in June 2006, will have an eventual capacity of 25-30 bcm. A feasibility study for this €4.6 billion, 3,300 km pipeline has been completed, and construction for the first phase is set to take place in 2008-2010. At this point, it will be capable of transporting 4.5-13 bcm, with larger capacity expected to follow in 2020.

The second is the Turkey-Greece-Italy interconnector (TGI), with a capacity of 12 bcm in 2012 delivered to the Italian Otranto terminal. In 2007, a small capacity of less than 1 bcm was available, though large volumes would have to wait.

White Stream supporters argue that with more than one trillion cubic meters in reserves in Shah Deniz field, Azerbaijan has ample potential to support the existing Baku-Tbilisi-Erzurum pipeline (BTE) and its planned continuations—Turkey-Greece-Italy and first stage of Nabucco, as well as the first string of White Stream. Thus, White Stream project does not compete with BTE or Nabucco for upstream recourses in the first stages of these projects. Of course, in the second phases, the availability of all these pipeline outlets to Europe should, they admit, major volumes of Central Asian gas.

This pipeline project would branch off from BTE, run approximately 100 kilometers to Georgia's Black Sea coast near Supsa, and from there follow either of the two options below: the first one would run 650 kilometers to Ukraine's shore, cross the Crimea from east to west for 250 kilometers, with possible connection to Ukraine's mainland pipeline system, and continue under sea for 300 kilometers to the Rumanian coast. The second option envisages laying a seabed pipeline from near Supsa in Georgia, running 1,100 kilometers to a point near Constanța in Rumania. This long version may require construction of an intermediate floating compressor station in the open sea, of course running high risk both from the messy weather conditions in winter, and from earthquake tormented Black Sea subsoil.

Gazprom, for its part, tries to derail the Nabucco pipeline. It announced a deal with Hungary, just as Nabucco was approved in June 2006, envisaging to expand the capacity of the Blue Stream pipeline and to extend it via Turkey and the Balkans into Central Europe (Hungary)—apparently in parallel to the Nabucco Pipeline.⁹ Simply put, Gazprom seeks to pre-empt the building of interconnectors between Turkey and Europe for Caspian energy, by creating a parallel line to transport the exact same reserves—directly or indirectly—but via Russia and under Gazprom ownership.

Gazprom has also signed a memorandum of understanding with the Italian ENI and the Bulgarian Bulgargas to build a gas pipeline from Russia to Italy, labeled "South Stream" (2007). Starting from Russia's Black Sea coast at Beregovaya, the South Stream would run some 900 kilometers on

⁹ See: J. Dempsey, "Gazprom's Grip on Western Europe Tightens with Pipelines to Hungary," *International Herald Tribune*, 22 June, 2006.

the seabed of the Black Sea, reaching a maximum water depth of more than 2,000 meters, to Bulgaria. Two options are considered from there: the southwestern would continue through Greece and the Adriatic seabed in the Otranto Strait to southern Italy. The northwestern option would run from Bulgaria through Rumania, Hungary, and Slovenia to northern Italy. Gazprom is holding out all options, including that of building both.

The new pipeline is planned to carry 30 billion cubic meters of Siberian and Central Asian gas annually, and marks along with North Stream project Russia's policy to reduce overland transit through neighboring countries, relying increasingly on maritime transportation for its energy exports to Europe.¹⁰ Blue Stream extension and South Stream are intended to circumvent Ukraine and Turkey, both transit countries.

South Stream can partly change the original destination of Blue Stream extension, with the throughput volume rerouted southward across Anatolia for shipment to Israel.¹¹ Either project is a rival to the EU and U.S.-backed Nabucco and Baku-Tbilisi-Erzurum gas pipeline through Turkey, which is planned to either be integrated with Nabucco or run from Turkey to Greece and Italy.

The inter-state gas pipeline TGI—more precisely the Greco-Italian sub-sea junction called “Poseidon project”—and the private gas pipeline TAP (Trans-Adriatic-Pipeline), which will follow the same route as TGI till the Central Macedonia region in Greece to continue to Albania and Italy through the port of Vlore, make Greece the crucial junction country for two gas pipelines not controlled by Russian interests.

The U.S. arguments against South Stream project that it increases Europe's dependence on Russian imports, and that it diminishes the availability of alternative natural gas resources from Central Asia (Turkmenistan, Kazakhstan) which could be channeled to the Nabucco or TGI projects, can be easily overruled for the following reasons:

- (a) the Azerbaijani gas resources controlled geopolitically by the U.S. do not suffice for, let's say, reassuring whatever European imports;
- (b) Washington, while aiming to overrun Russian soil for the transport of the energy resources, is totally negative toward Iran which is the only natural gas producing country capable to threaten the Russian exports predominant position;
- (c) Washington's interference in the Ukraine political crisis destabilizes European gas imports because it accelerates inter-Ukrainian and Russian-Ukrainian tensions. The possibility of a major crisis in the Russia-EU energy relations is most probable to be produced by a sabotage in the Ukrainian gas distributing system in case of an open dispute between the conflicting camps in the country than by a Russian embargo in natural gas imports¹²;
- (d) Washington's argument that Russian hydrocarbons imports pose an eventual political risk for Europe is not proved by history, for the simple reason that Russia always valued the source of its exchange deposit (estimated today equaling to 25 percent of the Russian GNP and 50 percent of its budget income).

Jonathan Stern of the Oxford Institute for Energy Studies explains that “the two North European Gas Pipelines will diminish Russia's dependence on Ukrainian export routes, at least till the point that

¹⁰ See: V. Socor, “South Stream: Gazprom's New Mega Project,” Jamestown Foundation, Washington, D.C., Vol. 4, Issue 123, 25 June, 2007.

¹¹ See: Ibidem.

¹² See: Th. Tsakiris, *I geopolitiki proistoria ton energeiakon antiparatheseon HPA—Rosias stin Evropi kai i stratigikh simasia tou roso-boulgarikou-ellino-italikou agogou* (The Geopolitical Pre-history in the Russian-U.S. Energy Disputes and the Strategic Importance of the Russian-Bulgarian-Greek-Italian Gas Pipeline (South Stream)), Hellenic Center for European Studies (EKEM), Athens, 2007, p. 5.

the whole of Russian exports will demand the use of all disposed export network. However, if the Russia-Ukraine relations do not ameliorate scientifically, these pipelines may replace in part the Russian export dependence on Ukraine. This same logic seems to apply also to the South European Gas Pipeline, which is considered (June 2006) to be a Western extension of the operating Blue Stream.¹³ Indeed, South Stream, a pipeline estimated to cost 10 billion Euros, is going to be a pipeline made by Russia, which will transport almost exclusively Russian and possibly in inferior amounts Central Asian—Turkmen, Kazakh and eventually Uzbek—gas. Most importantly, this pipeline project is not going to be dependent on Azerbaijani, Iranian, Iraqi or Egyptian gas, or from any other potential source necessary for feeding Nabucco or TAP or TGI projects' operation.

South Stream project bypasses Turkey, and thus Ankara loses the role of the central commuting station in the way of the Russian and Central Asian natural gas to Southern and Central Europe, a very desired role and one that was generously sponsored by Washington. In other words, Russia will possess double route for exporting its gas: through Turkey and Greece, and through Bulgaria and Greece. Evidently, the gravity center of the safe energy provisionment of Europe is moving toward Greece, a member state of the EU, enjoying both political and economic stability. For that reason, Moscow seems to have moved its dices facing Athens as a strategic partner. The Kremlin counts on Greece's stable political and economic system, political and most importantly economic hold-outs in the Balkans which could play the role of Russian business investments supporting network in the 65 million consumer Balkan market. Moscow focuses also at Greece's possibility to develop into an energy and trade transit road and railway center, which could permit binding Russian Black Sea ports to Thessaloniki and the wider Mediterranean region.

On the other hand, South Stream also overruns Ukraine and the other East European countries that are leaning toward Washington in their foreign relations (the Baltic countries and Poland). This evolution is estimated to be mostly beneficial for the Russian-EU relations.

In another most serious event, Russia seems to have gained Kazakhstan's support in Moscow's energy strategy in Central Asia, giving it a powerful hold over this region's energy resources. In a two-phased summit in Astana and Turkmenbashi (12 May, 2007), Russia, Kazakhstan and Turkmenistan agreed to modernize and expand the capacity of the Central Asia gas transportation system with its two components: the truck line along the Caspian coast, Turkmenistan-Kazakhstan-Russia; and the other, larger truck line, detouring from Turkmenistan to Uzbekistan. Astana also agreed to supplying 8 billion cubic meters annually to Gazprom processing plant at Orenburg in Russia, turning it into a Gazprom-operated joint venture, which will process growing volumes of gas from Kazakhstan for delivery to Europe through Russian soil. Finally, the three states, along with Uzbekistan, agreed to refurbish two additional natural gas pipelines.

When all the works are completed, Russia stands to almost double its imports of Central Asian gas to roughly 90 billion cubic meters, up from the present level of about 50 bcm.¹⁴ To demonstrate their commitment to the project, both Turkmenistan and Kazakhstan agreed to finance construction of their respective portions of the pipeline without Russian assistance.

Under the Caspian Pipeline Pact, a coup de grace is delivered against the Trans-Caspian pipeline (TCP) project, blocking the efforts of Russia's antagonists to create alternative energy-supply routes that the Kremlin cannot control. The deals have also dashed several formerly Communist countries in Central Europe wishing to break their energy dependence on Russia.

Some hope for the rescuing of the Nabucco project could come from the memorandum of understanding (MOU) on gas deliveries from Turkmenistan and Iran to Turkey and from there to Europe,

¹³ J. Stern, *The New Security Environment for European Gas: Worsening Geopolitics and Increasing Global Competition for LNG*, Oxford Institute for Energy Studies, Natural Gas Series #15, October 2006, p. 7.

¹⁴ See: S. Blagov, "Russia Celebrates its Central Asian Energy Coup," available at [www.eurasianet.org/departments/insight/articles/eav051607_pr.shtml], 16 May, 2007.

signed by the Turkish Energy and Natural Resources Minister and his Turkmen and Iranian counterparts (Ankara, 13 July, 2007). This deal, if finalized, could

- (a) open the last available gas corridor to Europe (“fourth corridor”);
- (b) give Turkmenistan an overland outlet to Turkey and further afield, circumventing the Caspian Sea instead of crossing it;
- (c) provide direct access for Iranian gas westward, diversifying the EU supplies away from dependence on the Russian Gazprom, and
- (d) put some counter-leverage into European hands ahead of 2010, when some major supply agreements with Gazprom will be up for renegotiation.

Under the MOU, 30 million cubic meters of gas would enter Turkey annually from Iran and from Turkmenistan via Iran, giving Turkey a chance to become a gas-trading country, rather than a gas-transiting one, at least for a part of the volumes involved. It maintains also the opportunity to integrate the Baku-Tbilisi-Erzurum pipeline for Azerbaijani gas with the Nabucco project.

In addition, as both Turkey and Greece signed separate agreements with Tehran for the purchase of large amounts of natural gas from Iran, Turkey has conveyed to Greece Iran’s interest for the interconnection of both country’s networks with the Iranian one. Washington itself is conveying to both countries its refusal to accept an Iranian intervention, while Moscow seems to work on this issue closely with Tehran.¹⁵

Oil Transportation Routes Propositions

In another event of major importance, Russia, Greece and Bulgaria signed an international agreement to build the Trans-Balkan oil pipeline, Burgas-Alexandroupolis. The pipeline’s rationale is to provide a second outlet from the Black Sea, circumventing the overcrowded Bosphorus, for Russian oil and Russian-loaded Caspian oil en route to the open seas. Transneft, GazpromNeft, and Rosneft hold a combined 51 percent stake, with Transneft as project operator. The Greek and Bulgarian governments hold the remaining 49 percent, with the right to sell portions of their stakes to international or Russian oil companies that would use this transit pipeline.

As this pipeline with an annual capacity of 35 million tons, which can be expanded to 50 million tons in the second phase, will in effect become an extension of the Caspian Pipeline Consortium’s (CPC) line from Kazakhstan to Russia’s Black Sea port of Novorossiisk, it will be a direct rival to the U.S.-backed Trans-Caspian oil transport projects from Kazakhstan westward, such as the Baku-Tbilisi-Ceyhan (BTC), the Odessa-Brody pipeline in Ukraine and its possible extension to Poland, as well as the pipeline running from Turkey’s Samson port to Ceyhan. This alternative is no longer attracting Russian interest or funding.

Proceeding with Burgas-Alexandroupolis and a commitment to its use by Western companies working on Kazakh oil fields are preconditions to the planned enlargement of the CPC pipeline from Kazakhstan. The U.S., European, and Kazakh oil companies faced production delays and financial losses due to Moscow’s blocking of that pipeline capacity expansion for the last three years. Russia demanded that these companies commit themselves to exporting oil through Russia instead of export-

¹⁵ See: A. Tarkas, “Singrousi HPA-Rosias gia opla kai energia stin Ellada” (U.S.-Russia Dispute over the Weapons and Energy Resources Issue in Greece), Athens, *Amyna kai Diplomatia* (Defense and Diplomacy Journal), April 2007, p. 14.

ing it across the Caspian and the Southern Caucasus using the Washington sponsored White Stream project to Europe.

Finally, in the context of the Caspian Pact (Astana/Turkmenbashi, 12 May, 2007), Russia and Kazakhstan have announced their intention to expand the CPC pipeline, up from its present capacity of 23 million tons annually to 40 million tons. Kazakhstan also agreed to supply up to 17 million tons of oil per year for the first-ever Russian state-controlled 280 kilometer pipeline project of Burgas-Alexandroúpolis operating in the EU territory.¹⁶

The Burgas-Alexandroúpolis project will also affect the Baku-Ceyhan system, since the latter requires significant additional volumes of Kazakh oil even in a short-to-medium term perspective, within less than a decade time. The same to the Odessa-Brody-Plock (Poland) project, since it ensures long-term use by Russian companies north-south, instead of the originally intended south-north use for Caspian oil to Europe. In addition, future users of the Burgas-Alexandroúpolis pipeline will have to negotiate with Russia's state pipeline monopoly Transneft regarding the oil volumes and schedules for using this pipeline. This means that the U.S. and European companies will depend on the Russian state for accessing EU territory to transport oil extracted by Western companies.

The reasons behind Moscow's advocacy are connected to Kazakhstan's increasing attraction to the American and European sponsored BTC feeding project that was scheduled to bypass Russian territory, one the one hand, and the linkages between Kazakhstan and Central Asia, on the other. Another motive is that Russia is concerned about becoming too dependent upon Turkey as a passage way or middleman for the export of its energy products to Europe. Suffice to remember that one third of Russian exports go through the Bosphorus and a large amount of gas goes through the Blue Stream pipeline and Turkish soil to Europe. Evidently, Turkey's ability to close the Bosphorus could cripple Russian exports in general, or force Moscow to accept the BTC exporting system.

The American administration, in order to avoid the implementation of the Burgas-Alexandroúpolis pipeline project, proposed a trans-Balkan pipeline that crossing Bulgaria (Burgas), former Yugoslav Republic of Macedonia (FYROM), the area of Kosovo and ending in the Albanian port of Vlore is also being discussed in parallel to these projects. In December 2004, under American guidance and financial support Bulgaria, Albania and FYROM signed a memorandum of understanding for AMBO pipeline construction. This project, 912 kilometers long, will cost 1.3 billion U.S. dollars, but is proposed in parallel to a wider infrastructure works program, including a trans-Balkan highway, a natural gas pipeline and a fiber optics network running in the same direction as AMBO. By this scheme, Washington wishes to include the above-mentioned countries in its influence exerting network, in addition to the U.S. military bases, facilities for its military personnel stationing there and other facilities.

Of course, any practical move on this project is conditioned on the outcome of the Kosovo interethnic conflict, which has become a major issue of dispute between the United States and the Russian Federation, which used to be a quite influential country in the Balkans.

Needed: Energy Security Strategy in the Black Sea Region

Energy supplies to Europe affect the Black Sea region. Given the Euro-Atlantic community's concern with

¹⁶ See: A. Tarkas, *op. cit.*

- (a) the threat of terrorism in the Middle East; and
- (b) the increasing competition over energy resources from the rapidly growing economies in China and India; and
- (c) recent interruptions in the delivery of Russian energy supplies to Europe, Western countries are urgently seeking to diversify their supplies of energy.

As a result, the Black Sea region is set to become a pivotal conduit for non-OPEC and non-Per-sian Gulf oil and natural gas flowing from the Caspian Sea and Central Asia to western markets.

While the United States has long been involved in projects to secure energy via the Black Sea region, the EU is now beginning to realize the importance of developing an external energy strategy that incorporates a stronger focus on transportation corridors involving Black Sea states: an EU Green Paper on Energy was issued on 8 March, 2006 that contained statements confirming this objective.

The growing importance of the Black Sea region as an energy supply route has numerous ramifications.

- First, revenues that accrue from pipeline projects, if managed in a transparent and accountable manner, can spur economic development and cooperation in the Caucasus and throughout the Black Sea region.
- Second, if certain pipelines under consideration ultimately involve transport via the Balkans, Black Sea energy projects may promote economic cooperation and much-needed foreign investments in the Balkans as well.
- Third, given their objective of achieving diversified and reliable energy supplies, the United States and the European Union have every interest in promoting stable, democratic governments in both regions.
- Finally, due to Russia's central role as a supplier of energy to Black Sea and EU states, it will be of critical importance for the Euro-Atlantic community to develop energy strategies that maximize cooperation with Russia.

These domestic, regional, and international challenges—of state consolidation, conflict resolution, democratic and market-oriented reforms, and the need for secure energy supplies—are common to both the Balkans and Black Sea region. Achieving durable security and development in these regions will require sustained engagement by not only domestic but also international actors.

Russia as a regional actor did not play a clear cut role. The “rainbow revolutions” in Russia's “near abroad” demonstrated Russian President Vladimir Putin's inability to determine political developments in the post-Soviet space of the Black Sea region. However, Russia remains an important actor in Europe as a whole. For the first time, Russia and the EU face the challenge of shaping overlapping areas of integration. In order to meet this challenge and to achieve its long-term interests, Russia must develop cooperative strategies that are attractive to its Western partners and that uphold democratic principles.

United States, for their part, has drafted a new security strategy for the Black Sea region, focusing on getting the individual countries around the Black Sea to develop a regional approach to security issues. This plan figures also the establishment of a military presence in the Black Sea region and other areas of the Wider South-Eastern Europe where oil and natural gas pipelines pass. Allegedly, NATO is envisaging three ways of the Alliance's involvement in energy security issues: political debates, military response to all kind of threats, and institutionalized cooperation with third parties, like the European Union and other international organizations.

Although this strategy represents a concerted effort by Washington to get involved in a region traditionally dominated by Russia and Turkey, the U.S. Department of Defense wants to get these countries also involved. The policy endorsed wants to show to the Russians that it does not treat them as adversaries and also allay Turkish concerns about American intentions. The U.S. is actively encouraging countries around the Black Sea and others in the wider region, like Greece, to take part in the Turkey-led Black Sea Harmony maritime security program, through which intelligence on sea traffic is shared among all the coastal states.

NATO itself has tried to expand “Active Endeavor,” maritime security operation in the Mediterranean Sea, into the Black Sea. Turkey, however, is worried that the Atlantic Alliance’s incursion into the Black Sea would diminish Ankara’s influence there, even that this could erode the 1923 Montreux Convention, by which the Turkish state maintains control over the Bosphorus Straits.

Russia is also active from this perspective. The Kremlin has unveiled a comprehensive modernization program for Russian Black Sea ports, in view that its Black Sea ports currently handle more than one third of Russia’s sea-borne exports in terms of tonnage.¹⁷ The port development program envisages doubling the current 160 million tones capacity (2006), which are strained to the limit and distributed very unevenly along the Russian coast.

The port of Novorossiisk alone handles more than one half of that overall export tonnage, a reported 88 million tons in 2006, including an estimated 60 million tons of oil, half of this originating in Kazakhstan. Oil loading will increase as the Caspian Pipeline Consortium boosts the volume of oil pumped from Kazakhstan to Novorossiysk. The Russian government is ordering three tanker ships to carry that additional volume of oil from Novorossiisk to the port of Burgas in Bulgaria, for feeding into the planned Trans-Balkan pipeline to Alexandroupolis on the Greek Aegean coast.¹⁸

C o n c l u s i o n s

Growing recognition of the Wider Black Sea region’s importance stems from the recent coalescence of three factors.

- First, following the so-called “big bang” wave of enlargement in 2004 and the Rose revolution in Georgia and the Orange revolution in Ukraine, the issue has emerged of whether or not the West should strive for a possible third wave of Euro-Atlantic enlargement, including countries from Ukraine to Georgia. A move along these lines would be very bold, again re-drawing the map of Europe while anchoring Western values deep into Eurasia as well as in the Wider Black Sea region. While the recent setback to political and economic reform in Ukraine has tempered it, this vision— and the question of its timeliness— remains on the strategic agenda.
- A second new factor is the Wider Middle East and the threats emanating from there. Since 11 September, 2001, the region has to be seen through a new prism. What once seemed distant and peripheral, now seems closer and central to Europe. In this sense, the Wider Black Sea region is the linchpin between core Europe and the Wider Middle East. This highlights the need to anchor this region to the West and ensure its stability as part of a broader strategy of shoring up the southern rim of the Euro-Atlantic community.

¹⁷ See: J. Kucera, “The United States Develops a Strategy Plan for the Black Sea,” available at [www.eurasianet.org/departments/insight/articles/eav030107_pr.shtml], 1 March, 2007.

¹⁸ See: V. Socor, *Russia Launches Massive Program to Develop Black Sea Ports*, Jamestown Foundation, Washington, D.C., 11 July, 2007.

- The third factor is energy security. The Wider Black Sea region is a key transit route for energy—natural gas, in particular— from the Caspian to European markets. This region will only grow in importance as a transit route in the years ahead as Europe seeks to diversify suppliers and mitigate the consequences of Russia’s monopolistic energy position. Russia will continue to be Europe’s main energy supplier, but if the EU is to avoid an unhealthy degree of dependence on Russian supplies, Europeans will have to turn to the Wider Black Sea region for alternative pipelines and energy corridors.

RUSSIA, THE WEST, AND THE SCO COUNTRIES IN THE CENTRAL EURASIA ENERGY PROJECTS

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A Geopolitical “Taste” of the Central Asian Energy Projects

In the near future energy will remain a geopolitical category. This is especially true of the oil and gas sphere. Indeed, according to the International Energy Agency (IEA), organic fuels will remain the main energy source until 2030 in the world, where the developed countries consume the greater part of the oil and gas produced. In 2006, the United States, which consumes 24.6 percent of the world oil production, imported 60.2 percent of its domestic consumption. The EU members, which in 2006 imported about 80 percent of the oil they consume, depend on oil to a much greater extent.¹ Russia is a unique country in this respect: its proven oil and gas resources are estimated at 74.4 billion barrels (6.2 percent of the world’s total), which makes it the seventh oil-rich country in the world; it comes second after Saudi Arabia as an oil exporter.

The Energy Strategy of Russia until the Year 2020, which envisages that “the role of any country on the world’s energy market determines, to a great extent, its geopolitical influence” showed a

¹ See: N. Perfiliev, “Perspektivy i problemy rossiysko-kitayskogo neftegazovogo sotrudnichestva,” *Indeks bezopasnosti*, No. 1 (84), 2008, pp. 37-50.

clear understanding of the importance of energy as a geopolitical factor.² Today, the European Union is the main exporter of Russia's Soviet inheritance, which makes it dependent on European exports—86 percent of the exported oil and 92 percent of the exported gas. This explains why the Energy Strategy insisted on diversified exports—to the APR and South Asia, the two regions with the world's highest growth rates, which have already changed the structure of the world's oil demand. The APR's share in Russia's oil export should increase from the present 3 to 30 percent in 2020, while gas exports are expected to rise to 15 percent. The Strategy describes China, Japan, South Korea, and India as the most promising partners.

On the other hand, the European Union is aware of its great dependence on Russia's exports: 28 percent of oil and 40 percent of gas. In the last 35 years the share of Asian gas in Russia's oil export to Europe became fairly noticeable in the overall volume of the world's oil trade: back in 1970 the Soviet oil pipelines moved 46 billion cu m; in 1990, this volume rose 7-fold; and in 2004, twice as much again (680 billion cu m). The transit disagreements with Ukraine in January 2006 and Belarus in January 2007 forced the EU to concentrate on diversifying its gas exports to diminish its dependence on Moscow.

In an effort to push down gas prices Brussels is exploiting the contradictions between the gas producers (Russia and Kazakhstan in particular) by initiating investment projects for building main gas pipelines that would exclude Russia. This means that the SCO gas exporters are competing with Russia on the European gas market.

Viewed through the prism of Russia's interests these factors reveal other, relatively recent, geopolitical trends mainly caused by NATO's changed politics in Eurasia and the prospects for Central Eurasian energy projects.

U.S. Senator R. Lugar, who contributed the draft law On Energy Security and Diplomacy, believes that an embargo on energy deliveries to any of the NATO members should be regarded as an "attack" on the Alliance: "The use of energy as a weapon of sorts is not a vague theoretical threat that belongs to the future. It is what is happening today." The senator suggests that military as well as economic methods should be applied: he had in mind alternative hydrocarbon routes and alternative energy sources. The 2006 NATO Riga Summit envisaged this in its final declaration, while the Alliance widened its presence in Eurasian energy producers and transit countries (accelerated NATO membership for Ukraine and Georgia, two transit countries, is one such measure). In the future, Azerbaijan, another oil and gas exporter, will be incorporated into NATO to make it the dominant force in the Black Sea region and to allow it use military force to protect the interests of its oil and gas companies in the Caspian.

Europe's concern over the unstable supply of energy resources is understandable; it is equally clear why the European Union and NATO tend to attain energy security by buying gas on the borders at the wholesale price and keeping their markets close to the gas traders (the European intervention buyers profit from the difference between wholesale and retail prices). The EU and NATO want to profit from their guaranteed access to the natural resources of other countries, while keeping "the aliens" away from the European pipe system infringes on Russia's interests.

The West uses the Asian card to dig in and get a say in the distribution of Central Asian energy and other resources; it is working hard to extend the East European "sanitary cordon" to Russia's southern borders by making Turkey and Mongolia poles of the "alienation belt." Asia should be divided in strategic terms to make cooperation among Russia, China, and India much harder. Washington and Brussels are obviously seeking greater influence in the Central Asian neighbors.³

² "Energeticheskaia strategiya Rossii na period do 2020 g." was endorsed by the RF government in 2003, available at [<http://www.minprom.gov.ru/docs/stateg/1>].

³ See: A.F. Klimenko, *Energeticheskiy faktor i ego vlianie na situatsiu v Tsentral'noy Azii i deiatel'nost ShOS. Shankhaiskaia Organizatsia sotrudnichestva: k novym rubezham razvitiia*, IFE RAS, Moscow, 2008, pp. 129-152.

An “instability salient” along the Eurasian southern borders interferes with Russia’s national interests. ODED-GUAM serves the same purpose; certain members of the expert community go as far as saying: “GUAM could play a role in the political projects of NATO and the European Union by filling the space between the control zone of the Euro-Atlantic structures and Russia ... and creating a ‘cordon sanitaire’ along the perimeter of Russia’s borders.” The Alliance tends to use non-GUAM members to put pressure on Moscow.⁴

A new geopolitical and energy configuration consisting of both oil producers (Russia, Kazakhstan, and Uzbekistan) and oil consumers (China, Kyrgyzstan, and Tajikistan) is gradually emerging in the SCO space. There is a lot of competition for the Eurasian energy markets among them which tests the SCO members’ readiness to pool forces in the energy sphere and look for a mutually acceptable cooperation model. The Central Asian republics willing to develop their contacts with the world in the energy sphere are gradually turning toward the West and China. This trend is virtually unstoppable: Kazakhstan is already moving its oil to China and laying its gas pipeline to this country for the simple reason that China, which needs ever growing amounts of energy, borders on Kazakhstan’s energy-producing regions. Uzbekistan regards Russia as a factor of force in the region. We should bear in mind, however, that Moscow’s mounting influence might force Tashkent to turn back to the United States. The process is underway: Uzbekistan is restoring its ties with the West disrupted by the Andijan events.

The far from simple relations among the local states (they cannot agree on the joint use of local water resources, etc.) are interfering with the energy projects in Central Eurasia. The very slow progress in forming a civil society and the clan-based institutions of power do nothing to promote fruitful cooperation in the energy sphere: there are too many power abuses and too much corruption in the energy projects; illegal financial institutions and money laundering are two other dangers.

Energy Projects in Central Eurasia: Competition and Pragmatism

Today, with several pipelines already in place, there are three rival projects of gas export from Asia: the Caspian gas pipeline across Russia; the trans-Caspian pipeline that bypasses Russia, and the mainline to China, which makes Kazakhstan and Turkmenistan the key partners. Relatively recently the United States regarded Azerbaijan as its main partner—today Washington has turned its attention to Ashgabad and Astana as the critically important capitals. Russia, China, Iran, and Uzbekistan have not abandoned their attempts to spread their influence to Kazakhstan and Turkmenistan.

As confirmed pragmatists the Central Asian leaders sell at the highest prices. The Turkmen leaders are prepared to cooperate with all the key players: they have opened their doors to Western and Russian businesses, however are determined to use all bids to their advantage. They claim that they are prepared to diversify their supplies, but insist on moving gas only to their own borders.⁵ This means that China, America, and Europe can count on their share of Turkmen gas. When it comes to the gas export routes suggested by Moscow Ashgabad manifests its Oriental nature: it wants neither close political relations with nor complete alienation from Russia.

⁴ S. Tolstov of the Ukrainian Institute of World Economy and International Relations is one such expert. For more detail, see: S. Tolstov, “The Guam Phenomenon: Its Experience as a Regional Cooperation Structure and its Prospects as an International Organization,” *Central Asia and the Caucasus*, No. 3-4 (51-52), 2008, p. 46.

⁵ See: S. Smirnov, “Tri kaspyskie truby—transkaspyskiy dolgostroy, prikaspyskiy proect i kitayskiy ieroglif,” *Ekspert-Kazakhstan*, available at [<http://www.centrasia.ru/newsA.php4?st=1191447240>].

The Caspian project. Russia and its Central Asian partners will obviously profit from it: it will create a de facto gas cartel that will keep gas prices for Europe under its control in the Russia-Central Asia format. The line will hug the Caspian coast of Turkmenistan and Kazakhstan to reach Russian territory where it will join the Gazprom network. The Russian Federation, Kazakhstan, and Turkmenistan have already reached an agreement; it was expected that construction of the new pipeline with a carrying capacity of 30 billion cu m would be launched in 2007. In the absence of an inter-governmental agreement needed to set the deadline and start feasibility studies the construction stage was postponed. The sides are still working on a joint document and have agreed on the principles of price formation, which can be described as a giant step forward.

It goes without saying that the European Union treats the project and the agreed gas prices with a great deal of irritation; its leaders have repeatedly voiced their extreme disappointment with the fact that gas will be moved across Russia. The EU is concerned with Russia's monopoly and fears that it may "strangle" the West by raising gas prices or, if Europe refuses to pay, discontinue gas supplies. Washington shares the Europeans' concerns and has repeatedly warned Kazakhstan and Turkmenistan that the Caspian pipeline is not only highly unwelcome but also bad for their image as reliable gas suppliers. The fact that in an effort to prove its reliability Russia is building two main pipelines (Nord Stream across the Baltic Sea and the South Stream across Bulgaria and Greece) is doing nothing to alleviate Western fears.

The pipeline to China. In June 2007 the president of Turkmenistan not only reached an agreement with China on gas supplies but also signed an agreement under which the China National Petroleum Company acquired a license for Bagtyiarlyk, one of the republic's richest gas fields. The president of Kazakhstan, in turn, and the chairman of China signed several agreements on a gas pipeline from Turkmenistan that would cross Kazakhstan before it reached China. The main pipeline with an annual carrying capacity of up to 40 billion cu m should be ready by 2010; at the Chinese-Kazakhstan border it will form two branches to reach Turkmenistan via Uzbekistan and the Beyneu fields in western Kazakhstan.

Kazakhstan and Turkmenistan will thus acquire an effective economic tool for dealing with Russia; in the future both Astana and Ashgabad will reach the Chinese energy market, thus burying Gazprom's monopoly on the Turkmen market. This is probably the rationale behind Gazprom's agreement to pay \$100 per 1 thousand cu m of Turkmen gas in 2007-2008; starting in 2009 gas prices will follow the world market trends. The agreement is valid until 2028. This means that complete control over Turkmen gas export to Europe will cost the Russian company much more than it expected. If Gazprom tries to impose crippling conditions on the republic, Turkmenistan will send its gas to China, which is ready to consume any amount of surplus fuel. In this way Turkmenistan has already acquired a lever of pressure to be used against Gazprom and (if the Trans-Caspian project is implemented) against European customers. So far, the project is stalling: there are neither feasibility studies nor an approved budget (on Turkmen territory, however, construction is underway!). This approach and the not too clear sources of the gas needed to fill the pipeline make the project's future vague to say the least, yet China is likely to do everything to implement the project.

The Trans-Caspian project. The United States is actively lobbying trans-Caspian pipelines to Azerbaijan; it has become firmly resolved to move the bulk of Turkmen gas across the Caspian. Washington hopes that the signed agreement will urge Kazakhstan to join. Azerbaijan is equally interested in the project: Washington convinced Baku not only to invigorate its contacts with Ashgabad but also to invite it to act together when dealing with regional problems and tasks.

In 1996 Washington declared the Black Sea-Caspian region an area of its strategic interests and became resolved to build a new architecture of pipelines by-passing Russia and Iran. In 2000 disagreements among the sides nearly buried the idea. In 2002, however, gas companies of Austria, Hungary, Rumania, Bulgaria, and Turkey initiated the Nabucco pipeline as a follow-up of the project. It

was expected that the western part of the Nabucco pipeline would cross Georgia, Turkey, Bulgaria, Rumania, and Hungary to reach Austria. This is feasible if a stretch of the pipeline is laid from Aktau to Baku along the bed of the Caspian Sea. The planned annual carrying capacity is 26-32 billion cu m; the initial cost is estimated at about \$6 billion; it is expected that the project will be completed by 2012. Earlier Washington and Brussels did not regard the cost as justified, however the skyrocketing hydrocarbon prices and the clash with Moscow's economic interests changed their opinion. The project, however, seems to have several serious flaws:

- *First*, Azerbaijan, the most enthusiastic lobbyist, will be able to supply only half of the required amount in even another 8 to 10 years, which means that the project can only be justified if Kazakhstan and Turkmenistan become its main suppliers.⁶ Having joined the BTC pipeline Astana will probably prefer to stay away from the new project to avoid further confrontation with Moscow. Moreover, the republic will sell some of its gas to China; another portion will be exported through Gazprom, while a certain amount will be domestically consumed. This means that there will be practically no gas to load the new project.⁷ Astana and Ashghabad are building tanker fleets of their own and have displayed a lot of interest in liquefaction technologies—they are obviously unwilling to be chained to the pipeline project. Ashghabad has already signed an agreement under which, starting in 2009, it will sell 30 billion cu m of gas to China for the next 30 years. Under the same document Turkmenistan pledged to compensate for all possible gas shortages with other resources. No one knows whether the republic has enough gas to cover its obligations under even one project. The concerted expert opinion about Turkmenistan's gas resources (about 15 trillion cu m) and the Turkmen leaders' assessments (from 25 to 45 trillion cu m) greatly vary, which forces the key lobbyists of the energy projects to place their stakes on Kazakhstan as the most responsible of the potential partners. The above suggests that in practical terms Turkmenistan can hardly be regarded as a reliable long-term partner: it has no considerably large fuel resources to load the trans-Caspian pipeline either today or in the near future.
- *Second*, the president of Turkmenistan, who is obviously fond of holding forth about diversified routes for Turkmen gas, prefers not to quarrel with Russia, at least for the time being. To meet its obligations to Moscow and the West Ashghabad has to double gas production. The figures testify that growth rates are negligible while the republic trails behind the goals it sets itself in oil production year after year. Analysts doubt that Turkmenistan can increase gas exports considerably and honor its obligations: in 2006 the growth rate was a mere 1 percent.
- *Third*, the project is burdened by other problems: it should be laid on the Caspian seabed, the tectonically unstable area. Technical problems aside, the sea's unsettled status is another hurdle. So far, in the eyes of international law, the sea remains undivided which allows Iran to capture Azeri vessels engaged in oil prospecting in the stretches which both countries claim as their own.
- *Fourth*, there are military-political factors: the pipeline will cross Azerbaijan and Georgia, countries living in the "eve of war" context. Baku does not exclude the use of force to resolve the Nagorno-Karabagh conflict, while Georgia still hopes to sort things out with its break-

⁶ According to Minister of Azerbaijan N. Aliev, "by 2015 we shall be able to reach the maximum level of 20 billion cu m a year," available at [<http://www.centrasia.ru/newsA.php4?st=1191447240>].

⁷ In March 2007 Foreign Minister of Kazakhstan concluded his meeting with EU representatives and the foreign ministers of Germany, Uzbekistan, Tajikistan, and Turkmenistan with: "It has not been proven that the Trans-Caspian gas pipeline, which will move gas from Asia to Europe outside Russia, is really needed."

away republics (South Ossetia and Abkhazia). The “eve of war tension” was registered recently, in June 2008, which means that in the event of armed clashes the BTC and new gas pipeline might be damaged. On the other hand, one cannot exclude America’s military action against Iran which might respond with bombing the pipeline infrastructure.

The above suggests that Russia and the West (the U.S., NATO, and EU) have different plans in relation to the Central Asian energy resources and that the trans-Caspian project looks the least promising of all.

Energy Cooperation within the SCO Format: Strengths and Weaknesses

When it comes to developing their energy sectors the Central Asian states prefer Russia as their traditional partner: they need access to Russia’s energy transportation system, its R&D, and its assistance in geological prospecting. Russia is a capacious fuel-consuming market and the key transit country that links the region with the rest of the world. Moscow, in turn, needs the Central Asian countries’ raw material and industrial potential and their infrastructure, which contribute to Russia’s economic and military security; Moscow also prefers to secure its control over the energy flows to Europe and the APR.

Today bilateral energy cooperation between Russia and the Central Asian republics is going strong even though the progress is not smooth. Russia lacks long-term purpose-oriented plans in the region and is very vague about the region’s prospects within the structures in which Russia is also present. It is still unclear how Russia intends to implement its Conception of Long-Term Socio-economic Development of the RF until 2020 in Central Asia. The document’s draft offers no clear Central Asian strategy. The absence of a long-term purpose-oriented Central Asian strategy and its clarification within the structures in which Russia is a member might negatively affect Russia’s national interests. Despite the rapidly growing economy Russia’s financial and economic contributions to the region remain limited. Russia’s trade and economic cooperation is concentrated on fuel export carried out on a bilateral basis. The bilateral basis is not strong and rather diversified (see Table 1). Joint investment projects are few and far between; the existing ones are limited to trade and economic relations. This means that cooperation between Russia and the Central Asian republics can hardly be described as balanced.

Russia-Kazakhstan. As a country rich in hydrocarbons and uranium Kazakhstan poses itself as a great player on the global market with geopolitical and geoeconomic interests of its own. Its problems, which are very similar to Russia’s, are caused by the rising oil prices and the rather ineffective management of oil resources. Having increased its financial resources Kazakhstan is trying to re-nationalize the foreign owners’ oil production assets which may cause complications in its relations with foreign oil companies. The republic’s relations with Western corporations and LUKoil of Russia have already suffered.

Oil extraction in Kazakhstan is gradually increasing to reach an annual level of oil production of 80 million tons by 2010 and 130 million tons by 2015. The local pipeline system will never cope with these loads, which means that “black gravy” export is developing into a great strategic problem for the local oil industry. Kazakhstan, which moves the bulk of its oil across Russia (much smaller amounts are sent to Iran by sea), will have to pool its forces with the Russian Federation. Likewise, the Russian pipelines cannot cope with the total amount of oil produced in Kazakhstan: diversification of oil ex-

Table 1⁸

**Russia's Trade with
the Central Asian Countries in 2000 and 2006
(million dollars)**

Countries	2000		2006	
	export	import	export	import
Kazakhstan	2,247	2,200	8,976	3,840
Kyrgyzstan	103	89	561	194
Tajikistan	56	237	377	126
Uzbekistan	274	663	1,087	1,290
Total	2,680	3,189	11,001	5,450

port routes is the only answer. There is the BTC and the Atyrau-Alashankou pipeline via which oil will reach the West and China, respectively. Kazakhstan is actively involved in setting up fuel routes through the Russian Azov and Black Sea ports via the Volga-Don canal; it is lobbying a new canal in the Kumo-Manych depression. The agreement on the Caspian pipeline is extremely important in this context: Kazakhstan will become a transit state which will move 80-100 billion cu m of Turkmen and Uzbek gas to Russia and China.⁹

So far, the republic's oil sector, which is boosting oil production, cannot be called a driving force behind its economy, which should be kept in mind when considering the future of its oil sector and Kazakhstani-Russian relations. Today, foreign producers dominate the market of oil production equipment with an 80% share, while attempts to change the situation are failing. This means that the republic's companies might cooperate with Russian oil corporations for outsourcing.

Russia-Uzbekistan. Their mutual interests (concentrated in the fuel and raw material context and the oil and gas industry) are much more varied than those between Russia and other countries. During his March 2007 visit to Tashkent, to which Gazprom and LUKoil actively contributed, the Russian prime minister discussed future cooperation in the oil and gas sphere. Russian companies will invest in boosting gas exports from Uzbekistan. Gazprom and LUKoil will invest in the prospecting, production, and transportation of Uzbek energy resources. Soiuzneftegaz signed an agreement under which it will invest over \$2 billion in the oil and gas projects in Uzbekistan in the next 36 years. Today, its subsidiary company, Soiuzneftegaz Vostok Ltd., is extracting oil in two fields and making preparations for the complex development of gas-condensate resources in Southwestern Gissar. The oil production situation can hardly be described as positive: resources at the already developed oil fields are depleting, production is dropping, and the oil refineries in Ferghana and Bukhara are underloaded; the same can be said about the republic's gas resources. At the current production rate, the confirmed gas resources will be completely depleted in about 33 years; and the oil supplies will end in 11 years.

Russia-Tajikistan. Russia's involvement in developing the republic's energy resources helps to maintain its social and political stability and promote its economic progress. Tajikistan's hydropower

⁸ See: *Rossia v tsifrah 2007*, FSGS, Moscow, 2007.

⁹ See: V.A. Matveev, "Zachem Kitaiu gazovye kladovye Tsentral'noy Azii?" *Nezavisimaya gazeta*, 12 February, 2008.

complex, the key to regional stability, is in the center of Russia's interests. It is seeking cooperation with Tajikistan in the energy sphere, first, because of the high energy prices and, second, because Russia is seeking a stronger geopolitical foothold in Central Asia. Dushanbe, in turn, needs cooperation with Moscow to expand energy export to Russia; this calls for the modernization of power lines and construction of the South-North line.

The sides' mutual desire to develop bilateral cooperation is clouded by several problems. The Tajikistan leaders tend to underestimate the fact that Russia's economic entities present in the republic are guided by the local market conditions. This is particularly seen in the process of building the Rogun hydropower plant. Other problems are rooted in the situation on the Tajik energy market, a highly competitive area with several active rivals. America has already announced its readiness to invest up to \$8 billion in the republic's economy, build the Dashtijum hydropower plant with a 4 million kW capacity, and invest in building power lines. Iran, Pakistan, and Turkey, in turn, come forward with tempting investment plans when Russia steps up its involvement.

Russia-Kyrgyzstan. The republic's energy sector, as well as several other branches, remains attractive for Russian investments mainly because gold, the main export commodity, is controlled by Western corporations. Russia's presence in the country's hydropower complex is stabilizing regional water and energy supply and accelerating the republic's economic advance. The situation, which is marred by problems that defy easy solutions, is reminiscent of that in Tajikistan (this is especially true with respect to the Rogun hydropower plant). Construction of the Kambaratinskaia-2 hydropower plant is an example. The government of Kyrgyzstan and RAO UES of Russia signed several relevant agreements, but the project has still not begun. On the other side, cooperation with Gazprom in gas prospecting and production may develop into an important and positive factor. The Russian company also plans to move toward reconstructing old and building new transportation capacities under the long-term agreement on cooperation in the oil and gas sphere. Under the same agreement the sides will pool forces to restore the compressor stations at the underground Mailu-Suu gas storage reservoir; the republic's gas sector will receive new equipment.

Russia-China. The Russian Federation is the fifth largest oil exporter to China. The two countries' cooperation in the energy sphere is the most important element of their trade and economic relations. At one time, Russia's Minister of Economic Development and Trade Gherman Gref pointed out that to increase "black gravy" export to China Russia should more actively develop Siberia and the Far East and expand the oil export infrastructure. In this context wider cooperation between Russia and China in the energy sphere is viewed as an instrument of economic development of Eastern Siberia and the Far East. The energy-related infrastructure will encourage industrial development and the raw material sector. Progress in the oil and gas industry calls for not only traditional use of energy resources, it also suggests increased oil and gas refining and progress in petrochemistry.

Most experts in China and outside it agree that Russia is potentially the most promising partner. Here are two arguments in favor of this: Chinese and Russian interests are mutually complementary—Russia will have to develop its Far East through progress in the energy sphere. China needs more diversified oil supplies—today, it mainly relies on oil delivered from the Middle East, the world's most unstable region. Russia and China have common borders that make oil and gas deliveries cheaper, but their potential has not yet been fully tapped. Today, oil is delivered by railway.

Real cooperation in the energy sphere is a relatively recent phenomenon: until Vladimir Putin's visit to China there were serious doubts about its advisability.¹⁰ On 31 December, 2004 Premier of Russia Mikhail Fradkov signed an agreement on designing and constructing the Eastern Siberia-Pa-

¹⁰ These doubts were fed by the criminal case against the YUKOS owners who favored closer cooperation with China, Japan's statements about its readiness to invest in the construction of a pipeline to the Pacific coast, and other facts.

cific oil pipeline. Today, the long preliminary period during which the oil lobby, the government, and ecologists were seeking a coordinated agreement on the pipeline route is over. Transneft presented a project of the Taishet (Irkutsk Region)-Perevoznaia Bay (Primorsk) pipeline to be completed in 2020. The project's estimated cost is \$16 billion. It will bring Russian oil to the APR countries; China will receive 30 million of the planned 80 million tons.¹¹

Closer cooperation with China will strengthen its position as the main market for Russian energy resources. As a monopoly consumer similar to the EU in the West it may present certain risks. No wonder there is no agreement on the issue: Japan and the West have fairly active lobbyists among the Russian political elite. The Russian Railways Co favors the idea (which has supporters on the other side of the border) of moving oil by rail. Speaking at a regular meeting of the Russian-Chinese Subcommittee for Energy Cooperation held on 14 October, 2006 the Chinese asked Russia to bring up its annual oil exports to China to 40-45 million tons.

Prices are another hurdle: China wants more oil at lower prices; so far there is no agreement on pricing principles between the two countries. The situation in the gas sphere is more or less similar: there is little or no progress because China insists on buying gas at below-market prices. On the other hand, in the southeast, China is busy building up liquefied gas facilities, which leaves one wondering: its readiness to buy much more expensive fuel makes its haggling with Moscow incomprehensible—Russia has many potential customers. China, which is actively seeking contacts in the Central Asian hydrocarbon sector, is adding frenzy to the already stiff competition among Russian, Chinese, and Western companies.

Multisided cooperation. The SCO is steadily developing into an integration group of worldwide dimensions. Internationalization of its members' economic activities is resulting in the gradual emergence of integrated economic complexes. The mechanisms of multisided cooperation are one of the instruments: there are meetings at the level of ministers of foreign economic activities, seven special workgroups for cooperation in specific economic spheres, the SCO Forum, the Business Council, and the Inter-Banking Association. Multisided infrastructure projects are underway; the idea of an SCO Energy Club is being discussed. The dynamically developing Organization compares favorably to similar CIS structures: it is much more pragmatic and its aims within the agreements reached are realizable (see Table 2).

Table 2

**Figures Related to Execution of
the Decisions Adopted by
Russia and the CA Countries
in 1991-2008**

Country	Signed	Came into force	Percent of those signed
Russia	264	210	80
Kazakhstan	267	176	70
Kyrgyzstan	270	212	78
Tajikistan	269	208	67
Uzbekistan	121	68	56

¹¹ To implement this plan the pipeline will branch off to China at Skovorodino. It is expected that the branch to Datsin in China will be completed in 2008.

If managed in a constructive way integration processes will lead to deep-cutting structural economic changes in all the countries involved and numerous economic ties among them. This belongs to the distant future since the political and economic as well as other changes at the global and regional levels are invariably present in inter-governmental relations within the SCO. In the future the SCO countries will probably need Russia as a partner in the energy sphere, but we cannot exclude stronger rivalry under the impact of "outside" powers and organizations.

Obstacles to Cooperation within the SCO

The following interferes with energy-related cooperation within the SCO:

- *First*, multilateral partnership is inevitably extensive. More than half of the 330 documents adopted so far are of a procedural or organizational nature; 38 of them relate directly to economic cooperation, which means that it is difficult to fund multilateral projects. So far Russia has been treating the money problem with caution, which made cooperation between the Central Asian republics and Western and Eastern partners even more tempting.
- *Second*, customs control of the interstate exchange of electric power is inefficient: it barely assists the energy systems to function under the most effective parallel conditions. In the absence of concerted approaches to electric power transit a protocol on simplified customs procedures had not yet been adopted. This means that the Russian Federation and the Central Asian countries cannot agree on mutually acceptable tariff procedures which, in turn, interferes with forming a common energy market and slows down the development of transit potential in all the interested states.
- *Third*, the discrepancies between the national legal bases of Russia and the other SCO countries related to the development of oil and gas fields, trade in gas and oil, as well as moving the energy resources are persisting, which does nothing to promote better relations between the state and private companies engaged in the energy sphere. Some regulations of national tax legislation contradict the integration agreements and treaties.
- *Fourth*, the national economy based on outmoded energy equipment cannot become competitive because it uses too much fuel. While in Russia 1 kW/h needs about 335-340 grams of conventional fuel, in Europe the figure is 210-250. The figures are much higher in the SCO.
- *Fifth*, most oil and gas companies of Russia and the Central Asian republics prefer to export hydrocarbons to the detriment of the national markets. Russia and Kazakhstan export over 70 percent of the total amount of produced fuel. This creates periodical crises of fuel supply at the height of agricultural seasons. Domestic refineries and related enterprises (such as the production of synthetic materials) are underloaded or even left idling.
- *Sixth*, cooperation between Russia and the SCO countries on the world energy market leaves much to be desired, which makes it hard to reach a coordinated approach to the rational use of their integrated oil and gas potential and a common vision of how the oil and gas branches should function in the interests of the economies of the SCO countries. This somewhat slows down integration. The absence of a complex approach toward cooperation between Russia and the Central Asian countries in the energy sphere is the greatest obstacle on the road toward closer relations in this sphere; this also encourages the world's main players to

seek access to the Central Asian hydrocarbon resources. On the other hand, the Central Asian countries are maneuvering in an effort to profit from the contradictions between Russia, the West, and China. Finally, interaction in the energy sphere is loosely connected with the strategies of socioeconomic development and integration in the Central Asian countries, which breeds social stratification and political instability. There are wide gaps between the per capita GDP and average wages for identical work in Russia and the Central Asian republics (see Table 3).

Table 3¹²

**Basic Socioeconomic Indices of the
Central Asian SCO Members (2008)**

Indices	Kazakhstan	Uzbekistan	Kyrgyzstan	Tajikistan
Population (million)	15.581	28.51	5.166	7.163
Per capita GDP (US dollars)	5,043	598	536	424
Economic growth (percent)	8.5	9.5	7.3	7.3
Average wages (US dollars)	434	210	120	60

In Russia, per capita GDP is \$9,872; and the average wage is \$700.9. The figures in the developed western and eastern countries are even higher. On the whole, if perpetuated, the problems of cooperation between Russia and the Central Asian republics might deteriorate into threats and challenges to their continued development in the energy sphere.

How to Make Energy Cooperation within the SCO More Efficient

Long-term cooperation between Russia and the Central Asian countries in the energy sphere within the SCO calls for an integrated development strategy of the entire Organization. Today, unilateral economic advantages have been pushed to the back burner by the need to make joint investment infrastructural projects more efficient.

This calls for stricter state regulation that should take the form of agreed energy policies of the SCO members in the Energy Club and the Water Consortium formats. The time has come to move away from general deliberations about these structures to practical efforts aimed at setting them up, along with other regulating mechanisms. The Energy Club, for example, should arrive at agreed transportation tariffs, level of preferences, taxes, and customs fees; it is even more important to fix energy export prices. The Club will make it easier to reach compromises; it can also be used to coordinate the SCO oil producers' market tactics by achieving cooperation between gas producers and gas users and

¹² Based on polls carried out in 2003-2008 by Eurasia21.com (Public Opinion Studies Center Ijtimoiy Fiqr), SIAR-Bishkek (the Obshchestvennoe mnenie Fund) Gallup, Vilmoren, and Baltic Surveys.

diversifying export routes. This will lead to a concerted energy strategy in full conformity with the members' geoeconomic interests and supply the pattern for new relations leading to the economic revival of its members.

The SCO countries may fix long-term foreign economic aims and seek leadership in gas trade on the world markets based on geographical and product diversification. They can contribute to building global energy infrastructure and drawing up rules for the world energy markets. This is especially important in the context of the existing agreements between the Central Asian countries and Russia on using the net back principle when fixing gas transfer prices starting in 2009. This may change the entire architecture of gas flows from Central Asia by lowering the efficiency of gas supplies to Europe, with the exception of Russia. Capital-intensive gas production and transportation calls for huge investments.

It is no less important to formulate clear and understandable limits on foreign investments in this sphere and transparency of conditions under which foreign capital can be attracted. The SCO gas-producing countries should fully tap Russia's negative and positive experience in its relations with foreign investments. Kazakhstan, which is facing a similar problem in Kashagan, and Uzbekistan, which is planning oil and gas prospecting and development of the Ustyurt fields and elsewhere, should take into account Russia's experience of joint projects with Western companies in Sakhalin in the product-sharing format. The Federal Law the Russian Duma passed in 2008 On the Procedure for Realizing Foreign Investments in Economic Societies of Strategic Importance for the Country's Defense and State Security, which regulates access of foreign capital and formulates the rules on the national market and attraction of investments, can be used as a positive example.

Today, the level of bilateral relations between the Russian Federation and the Central Asian republics is not high enough to fortify their positions on the world energy market. These relations should develop into state policies, the SCO members should come up with clearer policies; business relations with other states in the energy sphere should also be encouraged, while the energy market, the gas market in particular, should be liberalized. This means that these processes should be synchronized and harmonized with similar processes going on in the countries in the zone of common interests.

The planned SCO Development Fund should become an instrument for correcting the trend toward inadequate funding of joint energy projects. To achieve this, the most developed of the SCO members (Russia, China, and Kazakhstan) should increase their contribution. China is inviting its colleagues to accelerate efforts by channeling most of the money designed for analysis and feasibility studies of multisided projects and their realization into the Development Fund.

Broader powers of the constituencies of the Russian Federation and local administrations in the sphere of international relations could encourage transborder relations between Russia's regions and the Central Asian republics. To remove all the problems in this sector, customs legislation should be coordinated (this is especially important in the field of customs and other related procedures), tax and other fees related to transborder trade should be lowered, while railway tariffs should be harmonized and unified.

In Lieu of a Conclusion

Cooperation between Russia and the SCO countries in the energy industry should be boosted through a coordinated strategy that should identify the forms and methods of partnership (including cooperation with external actors). The document should specify the aims of such cooperation, etc. No bureaucratic games of document production should be allowed. One basic document—the SCO Development Strategy based on corresponding concepts related, among other things, to energy coopera-

tion—will suffice. This will call for concerted efforts of the expert communities of the member, and probably of the observer, countries.

Russian experts can proceed from the Conception for Ensuring the National Interests of the Russian Federation in the Region, which is closely connected with the Energy Strategy of Russia and the Concept of Long-term Socioeconomic Development of the RF until the Year 2020 (especially with its section dealing with the need to modernize the eastern part of its territory and the Central Eurasia energy projects). The new document should identify the means and methods for overcoming the current economic contradictions and show the prospects for interstate programs at each of their stages expected to promote closer industrial and scientific and technical integration of the national economies by setting up joint ventures and multisided structures. We should assess the already existing and potential regional challenges and threats in the mid-term perspective, as well as the potential changes. In other words, we should be fully aware of the prospects for joint activities and the expected results. This will call for harmonized interests among all the sides.

CHINA'S GAS POLICY IN CENTRAL ASIA

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The development of China's gas industry cannot be reviewed outside the context of the development problems that have arisen throughout its entire energy sphere.

The growth of the Chinese economy in the midterm is largely related to the increase in the share of consumption of efficient energy resources—natural gas, oil, hydro-, and nuclear power, although at present their share in the production structure of energy resources is relatively small. But drawing effective energy resources into circulation is fraught with a fair number of problems.

At the present time, the high rates of growth in the Chinese economy are not sustained by corresponding development in the fuel and energy complex. The PRC is increasingly becoming a net importer of energy resources. Over time, the shortage of energy resources will only rise, and meeting the needs of the national economy for them in full measure will become one of the active factors in the state's foreign policy strategy.

A key facet of China's energy diplomacy is stable and guaranteed provision of the country's needs for highly efficient energy resources, meaning oil and natural gas. Due to the PRC's extensive involvement in the globalization processes, significant attention should be given to such external factors of world energy market movement as a change in the geopolitical situation and the related in-

crease in political risks and instability in hydrocarbon production, increase in world prices for oil and gas, greater state participation in world energy resource trade, and so on.

In addition, several national features of the country's oil and gas sector should be taken into account in China's energy policy, in particular:

- the high level of state participation in the development of oil and gas resources;
- the discovery of new promising oil and gas fields in difficult-to-access mountainous and desert terrains;
- the underdevelopment of the gas transport infrastructure.

And another no less significant factor of Beijing's energy policy is the need to optimize the country's energy consumption. At present, the Chinese leadership has been giving great attention to the problem of excessive energy consumption. The first session of the Chinese National People's Congress of the 11th convocation held recently in March 2008 paid special attention to this.¹

As early as 2006, in order to economize on energy resources, there were plans to reduce their use per capita GDP by 20% over five years. But in 2006 no energy resource saving was accomplished, while in 2007 only 3.7% was saved instead of the planned 5%.² In addition, it is becoming clear that most of the foreign direct investments drawn into the PRC are going into the energy-intensive branches of the economy, which only aggravates the high demand for energy resources.

Due to these negative trends, the Chinese government has been taking several major steps over the past five years. In particular, it closed down a large number of small and inefficient thermal power stations, small coal mines, and outmoded energy-intensive production units in metallurgy, the cement industry, and so on. During the Eleventh Five-Year Plan (2006-2010), as Premier of the PRC State Council Wen Jiabao stated, progress in national sciences and technology is a high-priority and strategic task. China has entered that historical period when scientific-technical progress and innovations are giving an ever-greater boost to socioeconomic development.³ In order to implement innovative projects in the country, the main provisions of a mid- and long-term government development program for science and technology have been drawn up, where, in addition to everything else, an increase in spending has been envisaged to raise the efficiency of hydrocarbon production from productive seams, improve the technological means for extracting methane from coal seams, and so on.

Recently, due to the increasing oil shortage, China's state power structures have been looking at how to develop the gas industry. At present, the latter is objectively becoming a defining factor in the further growth of the Chinese economy, to the accelerated development of which the country's entire attention is riveted.

But the high capital-intensity of developing the gas industry is making a clear and substantiated strategy indispensable.

The unwavering interest in development of the gas industry is related to the ongoing increase in gas consumption in the electric power industry and to implementing a policy aimed at improving environmental protection and transferring the industry to environmentally more sophisticated technology. Implementing program precepts to raise the standard of living of urban and rural residents is giving an additional boost to the widespread use of blue fuel, which in turn is related to the transfer of population settlements from coal heating to gas heating, and so on.

¹ See: A.V. Ostrovsky, *Sovremennaiia ekonomika KNR: problemy, ugrozy, perspektivy*, EKO, Novosibirsk, August 2008.

² Ibidem.

³ [<http://www.lenta.ru/news/2006/03/05/china/>]

So in the midterm, it is presumed there will be a rapid increase in the consumption of this raw material. At first glance, the PRC is able to meet the increased demand for natural gas independently, since, according to some data, it has significant supplies of it. According to the estimates of Chinese experts, the country's potential gas resources amount to 46.2 trillion cu m (tcm).⁴ According to the reports of the Chinese press, the proven supplies in the country's various gas-producing regions are actively increasing. For example, the Chinese National Petroleum Corporation (CNPC) announced the opening of four gas fields in the province of Sichuan in the southwest of the country. The preliminary estimate of the total supplies of these fields amounts to 160 bcm. More than 100 gas fields in all have been discovered in this province. At present, the province of Sichuan, the shelf of the South China Sea, and Xinjiang are the main gas-producing regions in China. The largest fields are in Tarim (Xinjiang), Ordos plateau (the provinces of Shenxi, Gansu, Ningxia, and Inner Mongolia autonomous region), the province of Sichuan, and in Qaidam (Qinghai).⁵

But here several problems arise. First of all, gas supplies are located unevenly throughout the republic. Most of them (around 80%) are in the western and central parts of the country. Large resources have already been discovered and are being exploited in Xinjiang. Thirty-four percent of the PRC's blue fuel supplies are concentrated in the gas fields of this region.⁶ Although the conditions for developing oil and gas in Xinjiang are extremely complicated, which is due firstly to their location in high-altitude deserts where there is a severe climate and no convenient supply lines, and secondly to the great depth of the deposits and complicated structure of underground seams, although these fields are still attractive from the viewpoint of industrial development. The Tarim Basin is Xinjiang's main industrial region. In recent years, several large gas fields were discovered there. The potential blue fuel supplies there are estimated at 8.4 tcm, which comprises one quarter of all the reserves of this raw material in China. The gas fields surveyed in the Tarim Basin promise a yield of 658 bcm.⁷

In the 21st century, Xinjiang has the potential to replace the old exhausted fields and become an important base of oil and natural gas production. As survey work has shown, there are underground layers of sedimentary rock in an area of 950,000 sq. kilometers in Xinjiang that are promising from the viewpoint of oil deposits. Xinjiang is the richest gas-bearing region in the PRC. In recent years, China invested enormous funds in the survey and development of oil and gas fields. A total of more than thirty basins have been discovered in Xinjiang, the surveyed oil supplies of which top 2 billion tons, and the natural gas supplies of which amount to 700 bcm.⁸ However, the main gas-producing regions do not geographically coincide with the most industrially developed regions of the country. The delivery of blue fuel to consumers in the central and eastern regions requires the building of capital-intensive gas transportation systems. As a result, keeping in mind the transportation of gas to the main consumption areas on the east coast, the final price of the raw material will be quite high, which objectively restricts the blue fuel consumption sphere to only highly efficient branches—the chemical industry, metallurgy, and the big electric power industry. All the same, in recent years, the demand for gas has been rising in the PRC at double-digit annual rates. It is expected that by 2008, China will pass the critical mark and natural gas consumption in the country will exceed its own production. In recent years, according to Chinese statistics, the gas demand growth rates have been much higher than its production rates. By 2010, as Chinese analysts believe, the demand for gas will reach 100 bcm, but there are differences in the production rate estimates. According to the data presented in the Blue Book *Energetika-2007* (a publication of the PRC Academy of Social

⁴ [<http://centrasia.org/newsA.php4?st=1150200540>].

⁵ Ibidem.

⁶ [<http://www.altaiinter.info/news/?id=16418>]

⁷ Ibidem.

⁸ [<http://www.abirus.ru/o/xjnr.htm>].

Sciences), the production level is 80 bcm, while the Eleventh Five-Year Plan guidelines indicate that gas production should reach 92 bcm.⁹ Thus, the blue fuel deficit could amount to 8-20% in 2010 and will have to be covered by means of import.

According to the forecasts, the prospects for the PRC providing itself with its own gas by 2020 do not look good. Most Chinese scientists believe that the demand for this raw material will reach 200 bcm, while production will not exceed 100 bcm,¹⁰ that is, 100 bcm of gas will have to be imported in 2020, or 50% of the natural gas required. Russian analysts (A. Korzhubaev and others) caution against becoming too elated and forecast the consumption level at only 155 bcm.¹¹

The gas industry could develop according to two main scenarios after 2010.

According to the first, optimistic, scenario, it is presumed that the existing supplies of natural gas and trends toward its significant increase in the main gas-bearing basins will permit China to make the development of its own production a priority.

In the official PRC government documents on national security adopted as the leading principles of energy policy, the stakes are placed on the development of the country's own energy resources, as well as on the multi-vector aspect of the channels for obtaining imported resources. Thus, it is presumed that gas production at its own fields, including introducing the new fields in the Tarim, Ordos, and Qaidam basins into operation, plus the growing purchases of liquefied natural gas (LNG), will meet China's main demands until 2010 and beyond.

According to the second, realistic, scenario, after 2010 the resources of old and newly introduced natural gas fields will not be able to cover the growing demand for blue fuel. At this point the need will arise not only to increase the deliveries of LNG to the east and south coast of the PRC, but also the import of gas from the fields in Central Asia and Russia.

There are plans to compensate for the shortage of blue fuel in the coastal provinces of the country's south and east, as well as in the coastal regions of the Bohai Gulf in the north of China, by transporting it from the country's western regions and by using LNG. In order to do this, the PRC has begun to create a system for receiving and re-gasifying liquefied natural gas (LNG) in several provinces of the country's south and southeast—Guangdong, Fujian, Zhejiang, the island of Hainan, and in Shanghai, as well as build gas pipelines for transporting re-gasified raw material in the southern regions.

Over the past 10 years, China has been keeping its eye on the LNG sphere and has now adopted a principal decision to place the stakes on its import from the countries of Southeast Asia, Africa, and the Persian Gulf. Long-term contracts are being entered with LNG-producer countries. One of the largest of these contracts for a total of 35 billion dollars was entered in 2007 with an Australian company, Woodside Energy Ltd. Now the PRC is building terminals at an accelerated pace for receiving LNG methane tankers. It is expected that the consumption of LNG in the PRC will amount to 10-15 bcm by 2010 and to 20 bcm by 2020.¹²

The gas deficit in the northeast and central provinces of China will be covered by the increase in production in its western and central regions with further transportation to the consumers via the main gas pipelines and by deliveries of blue fuel to the western border of the PRC from Central Asia and Russia.

The current differences in the prospective estimates of gas consumption after 2010 are primarily related to the absence of a developed raw material transportation and sale infrastructure, the high cost

⁹ [http://www.easternpromise.ru/press.php?doc_id=1336].

¹⁰ *Ibidem*.

¹¹ [<http://www.ngv.ru/article.aspx?articleID=25052>].

¹² [<http://www.oil-equip.ru/ngv/4-99/vector/vector.html>].

of its construction, and Beijing's unclear final position regarding the expediency of raising coal production—the country's main and cheapest energy resource.

At present, coal predominates in the PRC's energy balance, the percentage of which in recent years (2000-2006) has been holding steady at 67-75%. Coal is an energy resource that China always relies on as a last resort, and the rapid growth of the economy's demand for energy resources was met by an accelerated increase in its production. For quite a long time China has occupied first place in the world in terms of coal production. Keeping in mind its enormous supplies, the coal industry will remain the main branch of China's electric power industry for many decades to come. But there are two limiting factors. First, the PRC coal industry, which comprises around 40% of world production, has reached a certain technological limit. Second, the domination of coal as the main energy resource for the electric power industry in the state's fuel and energy balance is aggravating the environmental problems, which were serious anyway, in most of its regions. As Premier of China's State Council Wen Jiabao admitted at the annual session of the Chinese National People's Congress held in 2006, environmental pollution became one of the main problems of China's socioeconomic development back in 2001-2005, when the environmental requirements of the Tenth Five-Year Plan were not satisfied.¹³ And an effective solution to the country's environmental problems has not yet been found. The problem of environmental pollution is becoming increasingly urgent due to the increase in emissions from thermal power stations operating on coal, which demands an improvement in the structure of energy resource use by accelerating the increase in gas consumption. In China's Eleventh Five-Year Plan (2006-2010), a program was adopted for reducing toxic emissions by 10%.¹⁴ The government structures in China's largest metropolitan areas, where environmental problems are particularly acute, are beginning to undertake practical measures to reduce coal consumption.

Until 2005, there were no large gas-transportation systems in China, and blue fuel was pumped from the gas-producing regions by means of regional pipelines that linked the production fields to the nearest consumers.

Now the PRC is undergoing intensive progress in the national gas industry. The development of the latter is envisaged in three state documents: "Development Plan for the Oil and Gas Industry in the Mid and Long Term," "Development Plan for Liquefied Natural Gas in the Mid and Long Term," and "Development Plan for Gas Pipelines in the Mid and Long Term." These documents set forth the following priorities: encouraging gas-survey work, developing new fields, building major gas pipelines and terminals for receiving LNG, and creating the country's own tanker fleet for transporting LNG.

Implementation of these plans will make it possible to optimize the structure of the electric power industry and ensure the country's energy security. A significant place in planning the growth of the national gas industry will go to improving the fundamental legislative principles for regulation of development of the industry and creating precise prerequisites for domestic and foreign investments. In so doing, two prospective areas for developing the gas industry infrastructure will take the lead—in particular, the transportation and receipt of blue fuel, as well as the re-gasification and transportation of liquefied natural gas. This will generate a need for more than 26.5 billion dollars to stimulate progress in this branch of China's industry.¹⁵

According to China's energy conception, its leaders intend to build a society that is self-sufficient in terms of energy. So it can be clearly seen that the Chinese government is placing the emphasis on its own strengths and resources for developing the gas industry too. This, admittedly, does not mean that Chinese companies cannot participate in the development of minerals in other countries.

¹³ [<http://www.lenta.ru/news/2006/03/05/china/>].

¹⁴ *Ibidem*.

¹⁵ [<http://russian.people.com.cn/31518/2382829.html>].

In the recent past, the PRC government, concerned about the development rates of Western transnational corporations, adopted a decision permitting 30-50 of the country's best state companies to make their debut on the global market and start competing with Western corporations by 2010.¹⁶

A graphic example is PetroChina Company Limited, a subsidiary branch of the country's major oil and gas company, China National Petroleum Corporation (CNPC), created in 2000. PetroChina, like CNPC, will also be engaged in buying up foreign oil and gas assets. In order to do this, it placed 20% of its shares totaling 2.4 billion dollars among portfolio investors in 2005. In so doing, the company's representatives themselves voiced their intention to use the revenue obtained from this placement to develop the industry's capacities and purchase new assets abroad in order to provide China with energy.¹⁷

The PRC's leading oil and gas companies have access to interest-free loans from state banks and enjoy tax benefits and privileged land rental rates. The government provides them with full support in the foreign markets when acquiring concession contracts and entering product-share agreements. It is not surprising that in this favorable context, the triad of oil and gas companies—PetroChina, Sinopec, and CNOOC—is conducting a very aggressive policy abroad aimed at purchasing infrastructure facilities and building pipelines through Central Asia. Chinese companies are aiming not only to purchase foreign assets, but also to independently acquire hydrocarbons in other countries.

Inside China, the companies chosen for this purpose are offered tax benefits, privileged land rental rates, and free loans via state banks. In the foreign market, the government is rendering them comprehensive support in entering contracts and concessions.

In contrast to this, oil and gas companies or the subdivisions of the main corporations operating in the domestic energy market are experiencing an obvious shortage of funds. This is caused by the special features of the Chinese government's policy in the electric power industry. Although the world prices for oil and gas are going up, the Chinese leadership is keeping the clamps on energy resource prices and retaining high taxes for oil-refining companies, thus preserving the low profitability of refining and sales.¹⁸

Keeping in mind the prospective rise in the imbalance between domestic production and gas consumption, the Chinese government is planning to give export flows of blue fuel from Central Asia a large role in feeding the entire gas-transportation system. This will lead to China putting pressure on the Central Asian states in order to gain access to their still largely undeveloped resources.

The PRC is intensifying its participation in the survey and development of Uzbekistan's, Turkmenistan's, and Kazakhstan's gas resources by actively buying up the assets of local companies. China has two motives for this.

One motive is strategic. The PRC wants to buy the assets of Central Asian gas companies at essentially any price in order to ensure stable and guaranteed blue fuel production volumes there. In addition, from the viewpoint of energy security, it is important for China to rely on its own gas rather than purchase it from other companies.

The second motive is economic. It is buying the assets of local companies in order to minimize its spending on the purchase of Central Asian blue fuel. This practice became widely used in Kazakhstan's oil and gas sector where Chinese companies have been operating for quite some time now. These actions mean that the Chinese side can minimize the price components by reducing the tax burden somewhat, and, ultimately, the main spending on hydrocarbon import will go to paying the transportation fees to the Chinese border. But this means the gas-producing countries of Central Asia are losing out, particularly at the current stage of the rising price trend for gas (and for oil).

¹⁶ *The Economist*, 6 January, 2005.

¹⁷ [http://www.au92.ru/msg/20050902_1vzm2oa.html].

¹⁸ [<http://www.rbcdaily.ru/2008/06/16/world/352265>].

This same tactic of purchasing assets or entering product-share agreements is still being used in the gas sector of Turkmenistan and Uzbekistan.

Until recently, the project for a main pipeline from West Kazakhstan was the most realistic plan for delivering natural gas to China. But now the main Central Asia gas pipeline from Turkmenistan to the PRC is claiming this role. It will essentially become China's second large-scale energy project in Central Asia (after the Kazakhstan-PRC oil pipeline).

These pipelines are strategic and the most reliable links in China's energy security system.

Keeping in mind that Turkmenistan is positioning itself as a leader in the rating of countries with the largest resources of natural gas, the PRC currently regards its relations with it as strategic. In April 2006, Turkmen President Niyazov signed a strategic agreement on gas deliveries with Beijing.

Under Niyazov, the Turkmen authorities kept the geological data about the country's hydrocarbon reserves an essentially complete secret. In so doing, the estimates of Turkmen geologists of the size of the country's gas supplies often greatly contradicted each other. Foreign experts, on the other hand, based on data obtained back in Soviet times, give different estimates of Turkmenistan's gas reserves: from 8 to more than 20 tcm. As it turns out, the country can claim third place in the world in terms of this index. As for the proven supplies, they amount to around 3 tcm (according to BP Statistical Review of World Energy, they constitute 2.9 tcm).¹⁹

Due to this many foreign investors have been putting off implementing new projects in the development and transportation of blue fuel. The thing is that building major gas-transportation systems supported by long-term deliveries requires guaranteed supplies of raw material for a significant period, usually up to 30 years. In so doing, the consumer should guarantee stable long-term gas recovery, largely by means of the take or pay system. The level of blue fuel recovery has a strong influence on how much is spent on its transportation and, ultimately, on its efficiency. In large gas-transportation systems the cost of pumping often reaches 40% of the end sale price of blue fuel. This is why the main importers of Turkmen gas want to be assured that Turkmenistan is capable of providing long-term deliveries of gas.

The Turkmen authorities have come to understand that in order to become one of the leading world exporters of gas and enforce the country's status as a reliable blue fuel supplier at the transnational level, they need independent confirmation by international experts of their domestic raw material supplies.

In 2004, the Turkmen government had already made arrangements for an international audit of Turkmenistan's largest field at Dovletabad and several other promising deposits located in the south-east of the republic. At present, Dovletabad is the main raw material base for supplying blue fuel via the Central Asia-Center gas-transportation system until 2023. The stakes are being placed on it for the planned South Asian pipeline to Pakistan and India in volumes of 30 bcm a year for 30 years. As a result of this audit, international experts evaluated the supplies of Dovletabad at 4.5 tcm.²⁰ In recent years, Turkmen geologists have discovered another group of new productive oil and gas areas and structures in this industrial region. In 2003 another large oil and gas field by world standards, South Iolotan-Osman, was discovered. This structure has several productive beds of up to 550-600 m thick that are unique in terms of capacity, which will raise the volumes of the hydrocarbon deposits of any of the Turkmen fields being developed. Unique inflows of gas with a debit of 1.5 to 5 mcm have been obtained here.²¹ This discovery confirmed the estimates of Turkmen geologists about the high gas-bearing capacity of Turkmenistan's eastern regions and aroused greater interest among foreign investors in Turkmenistan's subsurface. So the need arose for making corrections to the data obtained pre-

¹⁹ [<http://www.utro.ru/articles/2007/01/11/616149.shtml>].

²⁰ See: O. Lukin, "Na vse chetyre storony," *Neftegazovaia vertikal*, No. 7, 2008.

²¹ Ibidem.

viously by the international audit of blue fuel reserves. For this purpose, there are plans in the country to carry out total certification of the gas supplies. In March 2008, the Turkmenistan government entered a new contract with Britain's Gaffney, Cline & Associates (GCA).²² GCA is making an estimate of the reserves of the new fields and deposits in East Turkmenistan, which should become the main resource base for additional deliveries to the European and East Asian markets.

On the whole, according to the data of the Turkmengeologia state concern, in 2007, approximately 150 gas and gas-condensate fields were discovered in Turkmenistan with supplies amounting to 6.1 tcm. The reserves of their land-based structures are estimated at 5.7 tcm, and of offshore fields at 400 bcm. Fifty-four fields with supplies of 2.7 tcm are under development, and eleven structures with reserves of 257 bcm are being prepared for development. Survey work is being carried out at more than 70 fields with supplies of 3 tcm, while eleven structures with supplies of 135.1 bcm have been temporarily shut down. At the beginning of 2007, Turkmenistan's current geological gas reserves amounted to 22.482 tcm and extractable supplies reached 20.350 tcm.²³

Turkmenistan's national development strategy for the oil and gas industry until 2030 envisages a consistent increase in natural gas production by 2010 of up to 120 bcm (100 bcm of which are to be exported), by 2020 production should reach 175 bcm (140 bcm of which are for export), and by 2030 this index should be 250 bcm (200 bcm for export).²⁴ The development dimensions of Turkmenistan's gas-producing industry depends directly on the possibility of exporting raw material. In 2007, gas production rose in keeping with export demand, amounting to 72.3 bcm, 51 bcm of which were exported.²⁵ So by 2020 there are plans to increase the export of blue fuel 2.75-fold, compared with 2007. This is a large-scale strategic task requiring a clear energy policy. The latter should rely both on internal development sources and on foreign investors in the survey, development, and transportation of raw material for export.

The main obstacle is the shortage of export gas pipelines. The Central Asia-Center gas pipeline has undergone immense wear-and-tear during its more than 40-year lifespan. Like many other gas and oil fields of the Soviet Union, Turkmenistan's unique deposits were very intensively developed. Transportable gas had a high content of mechanical admixtures, water, and heavy hydrocarbons, which had a negative effect on the inner surface of the pipelines. Now significant modernization of the entire gas-transportation system is required, not only in the Turkmen section, but also in the Uzbek and Kazakh stretches.

At present, the Central Asia-Center gas-transportation system, which consists of four branches and was built between 1962 and 1997, forms the basis of the export capacities of the Turkmengaz state concern. The Central Asia-Center-1, 2, and 4 gas pipelines ensure the transportation of raw gas from Turkmenistan's eastern regions through Uzbekistan and Kazakhstan to Russia. The CAC-3 pipeline, which runs along the Caspian coast of Turkmenistan, transports gas from the country's western regions to the Russian Federation.²⁶ Based on the existing supplies and forecast reserves of natural gas, as well as its production possibilities, the country's government is adhering to a strategy of creating a multifaceted system of blue fuel transportation to the world markets. Based on the growing demand for energy resources in Europe and East and Southeast Asia, Turkmenistan is planning to dynamically increase natural gas export in the vectors that are most advantageous for it.

When the new leader, G. Berdymukhammedov, came to power in Turkmenistan in 2007, major reforms began in all the spheres of socioeconomic life and the number of contacts in the foreign policy sphere increased. It stands to reason that the new president is well aware of the importance

²² O. Lukin, op. cit.

²³ Ibidem.

²⁴ "Gazoprovody: sostoianie i perspektivy," *Neftegazovaia vertikal*, No. 20, 2007.

²⁵ "Neft i gaz Turkmenistana, 2007," *Neftegazovaia vertikal*, No. 7, 2008.

²⁶ "Gazoprovody: sostoianie i perspektivy."

of the oil and gas industry as the foundation of the republic's economy. Domestic economic entities are unable to develop Turkmenistan's extremely rich resource base, this requires foreign direct investments, which means that changes must be made in the current investment environment. And globalization of the world economy requires a certain openness of the national economies. In order to solve this grandiose task, large foreign investments and state-of-the-art technology must be drawn into the country.

In addition, the PRC has noticeably stepped up its activity in the region. The efforts of Chinese companies to gain a stronger foothold in the electric power industry of Turkmenistan, Kazakhstan, and Uzbekistan are beginning to erode Russia's monopoly position in Central Asia due to its ownership of the export gas pipelines going to Europe.

The question of organizing deliveries of Turkmen blue fuel to China was discussed as early as 1996. At that time a consortium consisting of China's CNPC, Japan's Mitsubishi, and America's Exxon drew up a feasibility report of a pipeline project from East Turkmenistan (from the Dovletabad field through Uzbekistan and Kazakhstan to the PRC, South Korea, and Japan). At that time, despite the low world prices for gas and the high cost of building the pipeline (9 billion dollars), the project was declared unprofitable and work on it was ceased.²⁷ As the world prices for blue fuel grew, interest in the revived project began to increase again. In 2003-2005, Chinese companies carried out service work contracted by the Turkmen State Company on the right-hand side of the river Amu Darya, which confirmed the high prospects for these sections.²⁸ In April 2006, during the official visit of former Turkmen president Niyazov to Beijing, a general agreement on building a Turkmenistan-China gas pipeline and on deliveries of Turkmen natural gas was signed. In keeping with this document, there are plans to begin laying the pipeline of 30 bcm in capacity in 2008 and export gas via it for the next thirty years beginning in 2009. The fields on the right-hand side of the Amu Darya were pegged as the raw material base with estimated reserves of 1.7 tcm.²⁹ The Chinese side assumed the responsibility for reaching agreements with the governments of the transit countries on mutually advantageous conditions for transporting Turkmen gas through their territory. Practical implementation of the project began in 2007 when the new Turkmen president, G. Berdymukhammedov, confirmed the agreements reached previously between Ashgabad and Beijing. During his official visit to China, the Turkmen president signed several agreements with PRC Chairman Hu Jintao. In particular, the CNPC entered a Product-Share Agreement (PSA) with the State Agency on the Management and Use of Oil and Gas Resources under the Turkmen President on the contract territory of Bagtyiarlyk. At the same time, a buy-sell gas contract was signed between the CNPC and the Turkmen State Company that envisaged the beginning of gas transportation to China in 2009. The CNPC obtained an operating license for surveying and producing raw material, as well as a contractor's license for survey and production on the contract territory.³⁰

The pipeline begins at the fields on the right-hand side of the Amu Darya and goes to China's south Pacific coast in the Guangdong Province. Its total length is approximately 7,000 km, 188 km of which will be laid in Turkmenistan, 530 km in Uzbekistan, 1,300 km in Kazakhstan, and approximately 5,000 km in China. In the summer of 2007, Beijing came to terms with Tashkent and Astana on the transit of Turkmen blue fuel through Uzbekistan and Kazakhstan.³¹ Of the 30 bcm of gas envisaged annually for the pipeline, deliveries of 13 bcm will be ensured by building facilities for purifying and preparing raw material at the fields of Saman-depe, and others. The other 17 bcm are to be

²⁷ Ibidem.

²⁸ Ibidem.

²⁹ Ibidem.

³⁰ Ibidem.

³¹ Ibidem.

delivered by developing new fields.³² There are plans to carry out seismological and drilling work within the framework of the PSA on the contract territory of Bagtyiarlyk. This will make it possible to prepare the newly discovered deposits for development and join them up to the gas pipeline at the second stage.

In this way, a large part of the contracted gas (approximately 57%) will be produced under PSA conditions. Although there is high strategic expediency in streamlining the gas flow from Central Asia to the East, the economic efficiency of transporting Central Asian blue fuel to the eastern provinces of the PRC is still unclear. And this gives rise to the principal question of the efficiency of delivering its own and imported gas to large consumers in the eastern provinces.

Several Chinese economists are criticizing the commercial viability of the extremely expensive purely Chinese project of the West-East gas pipeline, investments in which amounted to 17.4 billion dollars.³³

The full cost estimates for the transportation of gas from Turkmenistan to Guangzhou via the Central Asia pipeline being built from Turkmenistan through Uzbekistan and Kazakhstan to Xinjiang and on via the second branch of the West-East gas pipeline are not known. It is only known that the Chinese gas corporation, PetroChina, announced that an agreement had been reached with Turkmen-gaz on the purchase of blue fuel in 2009 at \$195 per 1,000 cu m.³⁴ All the same, in the real market economy, the costs for transporting Central Asian gas 7,000 kilometers from the Turkmen-Uzbek border to the southern regions of the PRC will, according to experts, be much higher than even the price of imported LNG in these same regions. Moreover, this gas will not be in demand either in the electric power industry, or in other branches of industry. LNG supply in the world market exceeds demand, and the required gas volumes can always be found under spot contracts, admittedly, at rates more than double the prices under long-term contracts. LNG rates in the ports of South China at the end of 2007 (according to the Kortès Agency) recalculated using a measurement unit of mill BTE to 1,000 cu m from Australia amounts to 115-142 dollars per 1,000 cu m under long-term contracts. The prices of spot deliveries, on the other hand, from Algeria, Nigeria, and Oman are equal to 300-340 dollars per 1,000 cu m.³⁵

What conclusions does this bring us to?

At present, China's gas policy is aimed in three directions:

- ensuring reliance on its own strengths in the resource base, for which reason investments in geological surveying, field development, and mass building of major gas pipelines throughout the country are being activated;
- providing the main consumers with imported LNG in such spheres as the electric power industry, chemistry, and metallurgy in the southern, eastern, and northeastern provinces of the PRC in order to cut back the limits on the use of energy resources;
- establishing strategic relations with the gas-producing countries of Central Asia—Turkmenistan, Uzbekistan, and Kazakhstan.

But there are limiting factors.

Due to the extensive development of prospecting works, the mass discovery of fields (mainly small and medium in size) is going on in the main gas-bearing regions of China—Xinjiang, Qinghai, Sichuan, and Inner Mongolia. These structures are distinguished by complex geological-industrial conditions, extremely deep occurrence of productive seams, and anomalously high seam pressures.

³² "Gazoprovody: sostoianie i perspektivy."

³³ *Vremia novostei*, 28 December, 2005.

³⁴ [<http://www.rosbalt.ru/2008/7/7/451370.html>].

³⁵ [<http://www.kortes.com>].

This results in the high cost of the gas produced. At the same time, no unique fields are being discovered on the basis of which the stable and profitable work of interregional gas-transportation systems could be organized and large-scale reconstruction of energy and municipal economy carried out in the main cities of the PRC.

In China, the large-scale construction of terminals for receiving and re-gasifying LNG is underway, as well as the construction of distributing gas pipelines to industrial and communal consumers. The restrictions on the increase in LNG purchase from the main producers in Southeast Asia, as well as in the Near and Middle East, are determined by the high world prices, particularly under short-term spot operations. At present, Chinese buyers of LNG have begun refusing to enter operations in some cases due to the high price level.

Interrelations with the gas-producing states of Central Asia are being established ambiguously. The relations between China and Kazakhstan, the first to carry out privatization of the country's oil and gas sector, as a result of which Chinese corporations began to acquire significant assets in its resource sector, are rather complicated. Reverse centralization of the most valuable assets in the oil and gas sphere is going on.

Relations with Turkmenistan and Uzbekistan are on the up and up. Since they do not have very many investment opportunities of their own, these republics are very interested in Chinese investments in the survey and development of gas resources. Particularly since the transportation of the raw material produced to the PRC is either financed by the Chinese side itself or on a parity basis with local companies.

Gazprom's surprise consent to increase the price for the purchase of blue fuel from the gas-producing countries of Central Asia in 2009 will lead to a sharp increase for importers in the rates for purchasing raw material. In addition, this decision will change the gas flow system in Central Asia and result in a change in the profitability of investment projects of various pipelines. Two long discussed projects—the Trans-Caspian (from Turkmenistan to Azerbaijan and on via the Nabucco gas pipeline to South Europe) and the South Asian (from Turkmenistan through Afghanistan to Pakistan and India)—are already becoming unprofitable in terms of their economic parameters. Under these conditions, the ability to fill the powerful Central Asia gas pipeline from Turkmenistan through Uzbekistan and Kazakhstan to China is also indefinite, at least in terms of the use of the resources at the current fields (Saman-depe and others), which it is becoming more advantageous to redirect toward Europe. In the context of the assumed underloading of the gas pipeline to the PRC, the operational efficiency indices of this route are dramatically dropping. This pipeline will probably not be put into operation until new results are obtained from the survey of Turkmenistan's gas resources in the new industrial regions on the right-hand side of the Amu Darya.

As a result, the cost of delivering pipeline blue fuel from Central Asia to the Chinese consumers will grow with a corresponding increase in the end sale price to consumers. The PRC government adopted a decision to steadily increase the internal gas rates to the world level, due to which there are plans to improve the raw material price formation method, as well as preference granting conditions for increasing the interest of oil and gas companies in the profitable development of domestic resources. Decisions should also be made aimed at ensuring a sharp reduction in the energy-intensity of the national economy and in the environmental load of enterprises.

In the foreseeable midterm, it is difficult to establish the rates and levels of China's gas industry development. This is because of the absence of concise government decisions on the allocation of funds for development of the gas industry to replace coal in the national economy, reduce the environmental load on cities, and so on.

The decision to build a major pipeline from Russia is becoming a decisive factor in this "gas patience" the PRC is playing. Of the two routes offered, the Altai gas pipeline is unrealistic due

to its length and excessively high environmental demands. The route from East Siberia is realistic, but the sale of East Siberian blue fuel at a privileged price, which China is insisting on, is only possible providing that Russian companies have access to the distributing assets of China's gas corporations.

RUSSIA AND IRAN: ATTEMPTS TO IMPLEMENT NEW STRATEGIC STEPS IN THE CASPIAN-CENTRAL ASIAN OIL AND GAS INDUSTRY

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The events of 2008 on the Caspian Basin and Central Asian natural gas and oil market clearly show that the key regional and world geopolitical players are looking for new ways to take the strategic initiative in the rivalry for access to the production, transportation, and pur-

chase of crude oil and gas. Russia and Iran in particular have made several original proposals and taken specific measures aimed at raising competition in the region's energy sector to an essentially higher level. It is worth taking a closer look at this.

Russia's Price Games on Central Asia's Gas Market

By the end of last year, the situation on the Central Asian natural gas market was developing quite dynamically. This was prompted by the appointment of a new president, G. Berdymukhammedov, in Ashgabad, who immediately demonstrated his desire to draw Turkmenistan out of its foreign policy lethargy. A traditional tool of national policy has been to stimulate contacts with foreign players regarding the laying of major pipelines in every possible direction and the sale of raw gas. In particular, Ashgabad initiated numerous ties with European and American diplomats with respect to the implementation of the pro-Western Trans-Caspian gas pipeline. G. Berdymukhammedov also confirmed the agreement between Beijing and former president Niyazov on the laying of the Turkmenistan-China route.

This of course aroused Moscow's concern since it boded a significant weakening of its dominant position in the transit and purchase of natural gas from Turkmenistan. The Kremlin immediately

took a preventive step against the Trans-Caspian route. In May 2007, Russia decided it was time to reconsider the agreement draft on building the Trans-Caspian gas pipeline, which was signed in December of the same year. This route was designed to pump 20 bcm of gas a year and is scheduled to go into operation no later than 2010.

This project was called upon to demonstrate the West Russia's firm resolve to retain its dominant position in the region and its serious intentions to be included in any competition over the Turkmen gas fields on the Caspian shelf.

But Moscow was faced with the more serious problem of raising the price for the purchase of Turkmen natural gas. China initiated the price increase. According to some data, Beijing suggested that it purchase Turkmen gas for 195 dollars per 1 thousand cubic meters, which made the PRC a more attractive buyer than Russia. For Moscow, the appearance of a powerful solvent rival with a vast growth potential on the internal blue fuel consumption market not only threatened the 25-year agreement between Gazprom and Turkmenistan, but also opened up the prospect of a dramatic increase in China's geopolitical influence in Central Asia in the future. So Russia's and Gazprom's main strategic goal in 2008 was to feel out the alternatives for resolving the Central Asian price dilemma.

The first step in this direction was taken on 11 March, when a four-way meeting was held in Moscow attended by Gazprom's Chairman A. Miller, KazMunaiGaz's President U. Karabalin, Uzbekneftegaz's Chairman N. Akhmedov, and Turkmengaz's Chairman Ya. Kakaev.

According to Gazprom's press service, during the meeting the heads of Kazakhstan's, Uzbekistan's, and Turkmenistan's gas companies stated that "based on the interests of the national economies and taking into account international obligations to provide reliable and continuous supplies of energy resources, beginning in 2009 natural gas will be sold at European prices."¹

Gazprom's consent to discuss this issue came as a surprise to most analysts, keeping in mind that for many years the Russian concern had been buying Central Asian gas at prices much lower than the world level and tried to adhere to this policy. Nevertheless, all the steps taken by Gazprom in recent years to gradually raise purchase prices made it clear that the Russian company was beginning to take a sober look at the situation on the Central Asian energy market, where the other players were not only expressing their intention to become purchasers of raw gas, but were also beginning to carry out large projects.

An additional argument in favor of Gazprom's reconsideration of the new price policy in Central Asia was the favorable situation that has developed on the European blue fuel market. In this respect, the phrase heard at the above-mentioned meeting in Moscow on the sale of Central Asian gas at European prices is interesting, since this could lead to a noticeable change in the competition situation on the region's energy market. At the time of the meeting, Gazprom's average price for European consumers was 360 dollars per 1 thousand cubic meters, but as early as June 2008, it had noticeably exceeded this index.

As Gazprom's head Alexei Miller stated at the 11th Annual General Meeting of the European Business Congress, "just recently at an EBC meeting in Paris we predicted that the price of gas in Europe would be 400 dollars per 1 thousand cubic meters by the end of 2008. But even Gazprom, which has the most detailed information about gas markets, underestimated the potential of the rise in price. Already today the average price of our deliveries to Europe has reached 410 dollars."²

Based on this, it can be presumed that the purchase price for Central Asian gas could range in the future between 200 and 300 dollars per 1 thousand cubic meters not counting the cost of transit through

¹ On the results of the working meeting between Alexei Miller and the heads of Kazakhstan's, Uzbekistan's, and Turkmenistan's gas companies, see: [www.gazprom.ru], 11 March, 2008.

² Alexei Miller's statement at a press briefing for the 11th Annual General Meeting of the European Business Congress, available at [www.gazprom.ru], 10 June, 2008.

Russia. For example, last December an agreement was reached between Gazprom and Ashghabad to the effect that blue fuel purchased by Gazprom from Turkmenistan will cost up to 130 dollars per 1 thousand cubic meters in the first half of 2008, and up to 150 dollars in the second.

What strategic dividends could Russia gain from the price-raising game? It is unlikely that Moscow can stop China from penetrating Turkmenistan's gas market, since the Turkmenistan-China pipeline project is already underway. But Gazprom could obtain certain advantages in another area. The matter primarily concerns the deliveries of Russian gas from Siberia to the PRC. The project for the Altai route is aimed at this, on which a Protocol on Natural Gas Deliveries to China was signed between Gazprom and the CNPC during Vladimir Putin's official visit to China on 21-22 March, 2006.

At the first stage, the gas pipeline will aim to deliver 30 bcm of gas a year from Western Siberia. This is due to the proximity of the West Siberian fields to the existing gas infrastructure, which will make it possible to begin deliveries sooner (by 2011). They will be made to the Xinjiang-Uighur Autonomous Region of the PRC, where Russian gas will flow into China's West-East pipeline, via which raw gas is pumped to Shanghai. The total length of the Altai gas pipeline is 2,800 km and its cost tops 10 billion dollars.

At present, its implementation is mainly hindered by the difficulties in the talks between China and Russia on defining the purchase price for Russian gas. Gazprom is offering the price formation model used in Europe, which at high prices for oil and petroleum products guarantees the high cost of gas. The PRC, in turn, is against this and suggests tying the price of blue fuel to the cost of cheap Chinese coal, or to a fixed price of 100-120 dollars on the Russian-Chinese border. The argument is often used that Beijing can find cheap gas in Central Asia by way of an alternative.

So by feeling out the possibilities for provoking a price-raising game in Central Europe, Gazprom could create an expensive gas situation in the region, the cost of this gas being at the same level as the price for West Siberian blue fuel. The stakes may also be placed on the fact that Central Asia's possibilities for selling its own natural gas and meeting the needs of importers from the CIS, Europe, and Asia are nevertheless limited, and logically, sooner or later, Beijing will be forced to turn to expensive Russian gas.

Russia's steps are also putting psychological pressure on other players, the EU and the U.S. If the price of Central Asian gas is within the range of 200-300 dollars, the Europeans and Americans will encounter an essentially different and unfavorable situation on the Central Asian market. In the past, the West appealed to the fact that Russia was buying Central Asian gas at an artificially low price, which made it possible to argue in favor of building the Trans-Caspian gas pipeline. But the very fact that Russia and the Central Asian countries have been discussing an increase in gas prices raises a rather difficult question for the EU and U.S.: "What price are they prepared to offer for switching the gas flows from Central Asia to the West?"

It will be rather difficult for the Western players to find an adequate answer, particularly due to the risks involved because of the indefinite amount of Turkmenistan's supplies and in light of the competition from Russia and China, which already have functioning gas pipelines or set agreements on the laying of new pipelines.

When looking at the question of raising the price of gas from Central Asia, it should be noted that the influence of this factor will not only have an effect on the geopolitical breakdown in forces in the region, but will also affect several other areas of geopolitical rivalry, particularly with Ukraine.

At present, Kiev is buying Central Asian raw gas from Gazprom at 179.5 dollars per 1 thousand cubic meters, and Russian for 314.6 dollars per 1 thousand cubic meters. The ups and down of the Ukrainian-Russian dispute, when Kiev waged a tough battle at the talks with Moscow for every dollar, are still fresh in everyone's mind. The future development of the Ukrainian economy and the competitiveness of its product were directly tied to this. In the event of a sharp rise in the cost of gas

from Central Asia, rather dismal prospects will open before the Ukrainian economic and pro-Western Orange authorities. This could theoretically change the development of the geopolitical situation in Ukraine.

Moscow has already set its price for Kiev. As Russian Foreign Minister Sergey Lavrov said on 6 June, 2008, beginning on 1 January of next year, the price of Central Asian gas going to Ukraine through Russia will correspond to European prices and be calculated according to standard formulas. This means that Ukraine will have to pay almost double the price. A rather simple calculation shows that the matter essentially concerns a price of more than 350 dollars per 1 thousand cubic meters.

Azerbaijan as a New Field of Competition

The fact that Russia regards the question of raising gas prices to the European level as a very real mechanism in its new “aggressive” energy strategy is shown by the attempts to use it on the South Caucasian energy market and particularly in relation to Azerbaijan.

The statement by Gazprom’s head Alexei Miller, which he made during a meeting with Azerbaijani President Ilham Aliyev in Baku at the beginning of June 2008, is significant in this respect. In his words, “Azerbaijan, as a major producer of hydrocarbons in the CIS, is Russia’s objective partner, we have common interests. We already share a developed gas-transportation infrastructure. We are interested in developing mutually advantageous cooperation between Gazprom and Azerbaijan in the energy sphere.”³ In so doing, he stressed in particular that Gazprom was willing to buy natural gas at market prices.

The first information about the possibility of establishing cooperation in the gas sphere between Azerbaijan and Russia began to appear as early as July 2007. At that time, Russian mass media, referring to an anonymous source in the State Oil Company of Azerbaijan Republic (SOCAR), reported that the latter was willing to sell Gazprom the surplus blue fuel that had appeared after the Shakh Deniz field went into operation. A price of 230 dollars per 1 thousand cubic meters was named, but the amount of gas to be delivered was not specified.⁴

At the same time, it is not sufficiently clear from this statement what gas the Azeri side is willing to supply, reserves from Shakh Deniz or from other fields. It is very likely that it could be Shakh Deniz gas, keeping in mind that the SOCAR has a 10-percent share in the international consortium that is developing this field.

Gazprom’s proposal to purchase Azeri gas at market prices is very significant for several reasons. First, it seems that the Russian company recognizes Azerbaijan’s promising nature on the regional blue fuel market, particularly since this country itself was an importer of Russian natural gas until 2007. The key role in Azerbaijan’s stronger position on the gas market is due to the fact that such powerful gas structure as the Shakh Deniz field with reserves of more than 1.2 tcm of gas and 240 million tons of gas condensate was put into operation and construction of the Baku-Tbilisi-Erzurum main pipeline was completed. This year Baku is planning to produce at least 11 bcm of blue fuel.

According to the forecasts of the SOCAR, the country will produce 23 bcm of gas by 2015 with a domestic demand of 12-13 billion. In so doing, the SOCAR is counting on increasing the

³ Gazprom says it will buy Azeri gas at market prices on the basis of a long-term contract, 3 June, 2008, available at [www.day.az].

⁴ Gazprom is offered surplus Azeri gas, 7 July, 2007, available at [www.oilru.com].

proved gas reserves if appraisal well drilling confirms that the Umid, Zafar-Mashal, Absheron, and Nakhchevan fields have reserves of 1.4 tcm. At least 2.7 billion dollars will be invested in appraisal drilling.⁵

Second, the proposal Baku received from Gazprom might indicate Moscow's attempts to reassess its former policy regarding Azerbaijan and test the ground for launching an aggressive energy policy directly in the Southern Caucasus. It is quite obvious that by sounding out the situation regarding gas cooperation, Moscow is trying to implement new mechanisms of economic and, consequently, geopolitical cooperation with Baku.

The thing is that today Russia's position in Azerbaijan is rather weak. At one time Moscow was skeptical about the prospects for developing the Azeri-Chirag-Gunashli fields and building the Baku-Tbilisi-Ceyhan oil pipeline. This gave the West a splendid geopolitical opportunity to gain a foothold on the western coast of the Caspian and establish confidential relations with official Baku.

The decision to deliver Russian gas to Azerbaijan at market prices, 235 dollars per 1 thousand cubic meters (the previous price was 110 dollars), weakened Russia's position even more. This prompted Ilham Aliiev to decide to halt purchases of Russian gas, increase Azerbaijan's own production, and cut back deliveries of Azeri oil along the Russian route via the Baku-Novorossiisk pipeline. The last decision was prompted by the fact that Baku needed to supply the domestic market with additional volumes of oil in order to prevent an energy crisis.

So Russia lost a large portion of its economic partnership resource with Azerbaijan, and the efforts to establish gas cooperation with Baku look like an attempt to restore at least some of the ground it has lost in this respect.

At the same time, possible cooperation with Azerbaijan could also be a strategic step with a far-reaching aim with respect to the aggravated energy rivalry in Eurasia. Here particular attention is drawn by Russia's offer to purchase Azeri gas at market prices.

As Deputy Assistant Secretary of State for European and Eurasian Affairs Matthew Bryza believes, this offer by Gazprom shows that the company does not have enough resources to fulfill its contract obligations on deliveries to Europe.⁶ It should be acknowledged that there is a certain grain of truth in this presumption, but at the same time, the gist of the matter in this case is most likely more complicated.

By offering cooperation based on market principles, Moscow can theoretically move toward a whole series of goals. First of all, if Gazprom can contract at least half of the 10-11 bcm of gas that will be exported by Azerbaijan in 2015, it will become one of Baku's key energy and, consequently, geopolitical partners. And this in turn will have a direct effect on undermining the currently strong position of Western capital in the energy sector of this Caspian country.

In the event that Moscow and Baku succeed in reaching a principal agreement on the delivery of Azerbaijani blue fuel, Gazprom can count on gaining access to the reserves of the Shakh Deniz field through its partner relations with the Norwegian StatoilHydro Company. The Norwegians own 25.5% of the shares in the project, exactly the same amount as the main operator (British Petroleum). Moreover, StatoilHydro is the project operator for commercial plans.

Gazprom and StatoilHydro have close relations since they are partners in developing Stockman, the giant gas field on the Russian shelf of the Barents Sea. The shares of the sides in this project are distributed as follows: Gazprom—51%, France's Total—25%, and StatoilHydro—24%. It is a well-

⁵ See: Kh. Iusifzade: "In 2015, annual gas production will amount to 23 bcm a year," 4 June, 2008, available at [www.day.az].

⁶ Matthew Bryza said that evidently Gazprom does not have enough gas to fulfill its obligations to Europe, 04.06.2008, available at [www.day.az].

known fact that the Russian and Norwegian companies regularly hold business meetings at which the question of Gazprom's possible purchase of gas from Shakh Deniz is also discussed.

As for Azerbaijan's interests and its future steps, it is difficult to make any forecasts. It is possible that, for political considerations, Baku might still accept the offer to create a second Russian export route, since it will help to reduce the Azeri elite's extreme dependence on the West. The statement by Minister of Industry and Energy Natic Aliev might be a hint at this possibility. He said that "Azerbaijan is free to decide to whom to sell its gas and at how much. ... Russia has already expressed its willingness to purchase our gas. This question will be studied."⁷

Nevertheless, the differences in the views of the sides on the Nagorno-Karabakh problem could become a restraining factor in the development of Russian-Azerbaijani gas cooperation.

By offering Baku a market price, Gazprom is already essentially supporting the most recent steps by the SOCAR to raise the price for Azerbaijani gas sent westward to Georgia, Turkey, and Europe. This is particularly important for Baku, keeping in mind its desire to be free from Ankara's dictates in transit and set price issues. According to the agreement signed on 12 March, 2001 between the SOCAR and Turkey's Botaç, the latter assumed the obligation to purchase 89.2 bcm of natural gas at 70-120 dollars per 1 thousand cubic meters for 15 years (2004-2018).

The statements of several officials on possibly halting the second development stage of the Shakh-Deniz field indicate Baku's resolve to reconsider the rules of the game, which will adversely affect the plans to deliver gas in the direction of Turkey. As ASOC Vice President Elshad Nasirov said in April 2008, "we will give our consent to sanction Stage-2 as soon as we are sure we will obtain the highest profit from gas sales under the project. Our partners at Shakh Deniz basically agree with us, saying that we should not sell gas just for the sake of selling it. That is, there should be sufficient gas volumes for making deliveries to Turkey and a reliable, transparent, and long-term transit tariff for delivering gas to Europe."⁸

The Russian price proposal might also provide Azerbaijan with support in the European vector. Baku has recently been trying to participate in such European projects as the Trans-Adriatic gas pipeline and the Poseidon pipeline, in which the main participants are Italy, Greece, and Turkey. Russia's proposal is particularly valuable in light of Azerbaijan's attempts to play a subtle diplomatic game aimed at bargaining advantageous conditions for itself in this issue.

If we look at Russia's price proposal to Baku through the prism of geopolitics and rivalry with the EU and U.S., we can see that the same logical course is being followed here as in the case of Central Asia. By pushing for a rise in price for Azerbaijani gas and advancing this expensive gas onto some segments of the European market, Gazprom could deprive the supporters of the Western Nebuchadnezzar route project of a source of cheap gas as an alternative to Russian gas, which is becoming increasingly expensive.

The price of blue fuel is quite a serious argument in the gas rivalry that is unfolding if we keep in mind that Europe is striving in its gas policy in the Caucasus and Central Asia not only to diversify its gas import routes, but also to obtain cheaper gas. The EU needs cheap gas for the simple reason that at equal prices Europe is less economically competitive than the PRC and other Asian countries.

The price component just happens to be one of the weak points in the EU's energy policy in the Caspian-Central Asian region, and so the Russian Federation has recently been looking at the possibility of supporting exporter states from these areas in their efforts to raise the price of the gas they

⁷ N. Aliev: "Azerbaijan svobodn v priniatii rezheniia, komu i za skol'ko prodavat' svoi gaz", 4 June, 2008, available at [<http://www.apsny.ge/news/1212642191.php>].

⁸ F. Asim, "Azerbaijan vse aktivnei vnedriaetsia na gruzinskiy rynek. GNKAR ne speshit s dobychei prirodnoogo gaza na Shakh-Denize," available at [www.zerkalo.az], 26 April, 2008.

export. It can count on the fact that high prices for this raw material will lower the West's interest in carrying out expensive projects bypassing Russia and will strengthen the position of those within the EU who are in favor of cooperating with Moscow with respect to blue fuel transit.

Iran's Oil Pipeline Ambitions in the Caspian

Iran, which is immersed in geopolitical competition with the U.S. in the Middle East and dealing with the problem of protecting its own nuclear program, has long failed to take any breakthrough steps in expanding its partnership ties with energy exporters from the Caspian Region. But in April 2008, Iran ended its silence. At the Second Oil Commercial-Transportation Conference held in Baku in April 2008, Amin Eskenderi, a high-ranking official in the Iranian Petroleum Ministry, announced Tehran's plans to increase its participation in the transit of Caspian oil to the world markets.⁹

The crux of the above-mentioned projects lies in expanding the technical possibilities of oil terminals at the Caspian's Neka port, as well as in laying the Neka-Jask Trans-Iranian pipeline, via which oil will be delivered from the Caspian Sea to the coast of the Gulf of Oman.

In order to strengthen its competitive advantages in the struggle for Caspian oil transit, Iran wants first to eliminate the weak spots in its port infrastructure in the Caspian. The thing is that Iran's competitive potential has been lowered by the rather weak technical parameters of Neka port, which can only receive tankers with a deadweight of no more than 5-7,000 tons. According to the plans of the Petroleum Ministry, dredging work will soon be carried out at the port, which will make it possible to receive tankers with a deadweight of between 14,000 and 63,000 tons. The oil-storage capacities at Neka port will also be increased from the current 1.5 million to 2.5 million barrels. It is anticipated that by 2015 the port will be able to handle up to 25 million tons of oil a year.

In turn, the Neka-Jask pipeline will be able to pump 1 million barrels a day. The oil pipeline will consist of several sections of 300-500 km each with a total length of 1,500 km. The first section will be Neka-Semnan; the second, Semnan-Yezd; the third, Yezd-Kerman; and the fourth, Kerman-Jask.

Tehran's set of measures to attract Caspian black gold also include refining it at Iran's enterprises. The proposed volume is 350,000 barrels a day. Caspian oil will be sent for refining to the Tabriz oil refinery (80,000 barrels/day), the Isfakhan oil refinery (150,000 barrels/day), and the Tehran oil refinery (120,000 barrels/day). It is expected that the the Shakhriar oil refinery (150,000 barrels/day) and the Kaspiiskiy oil refinery (300,000 barrels/day) that are planned to be built will be oriented toward the crude oil from the Caspian.

Several facts point to Iran's serious intentions to carry out such a grandiose series of projects. For example, Tehran has already announced specific tariffs for pumping oil through its territory via the Neka-Jask pipeline. The tariff should be 45 dollars per ton, which is the lowest among all the projects operating in the Caspian Region. For example, the price for pumping oil via the Baku-Tbilisi-Ceyhan pipeline amounts to 75 dollars per ton, via the CTC to 55 dollars, and via the Baku-Batumi/Kulevi railroad to 73 dollars.

In addition to this, Iranian experts have begun studying the technical parameters for building the mentioned route. According to Iranian Deputy Oil Minister Mohammed Reza Naamat-zade, the project

⁹ See: "Iran gotov stat tranziterom dlia eksporta kaspiiskoi nefti na mirovoi rynek," available at [www.iran.ru], 25 April, 2008.

is currently at the engineering development stage. After it is complete, a tender will be held to choose a contractor for beginning work on building the pipeline.¹⁰

According to some data, Iranian diplomats and businessmen are already sounding out the possibility of Kazakhstan and Azerbaijan joining the project as suppliers of raw material.

Based on commercial profit considerations, the Iranian Neka-Jask project appears very promising for Caspian oil exporters. At present, the lion's share of black gold from Azerbaijan, Kazakhstan, and Russia is going in the northerly and westerly directions, primarily to the European Union market, and there, as we know, a high level of competition is registered today among the numerous suppliers from Africa, the CIS, and Middle East. Only Kazakhstan has been able to partially shed this dependence after putting the Atasu-Alashankou oil pipeline into operation, but even it has access to only one market, the Chinese.

In order to raise delivery flexibility, access to the ports of the World Ocean is required, as well as transportation of oil by tankers. The Neka-Jask pipeline will provide this opportunity. Oil can be delivered from the coast of the Gulf of Oman to the dynamically growing markets of South and South-east Asia, as well as of the Far East, which are experiencing a greater need for energy and striving to diversify their sources of oil import in order to reduce their extreme independence on Middle Eastern suppliers. Export from the coast of the Gulf of Oman is also advantageous in that it makes it possible to bypass the overly used Strait of Hormuz, the world's main oil route.

In addition to the above-mentioned countries, this project is also advantageous for Russia from the geopolitical and commercial viewpoints. Sending the growing volumes of oil produced in Kazakhstan and Azerbaijan south, toward Asia via Iran, is helping to weaken the position of the projects supported by the West, such as the Baku-Tbilisi-Ceyhan and Odessa-Brody pipelines. This will also make it possible for Moscow to lighten the pressure on the Russian oil companies on the European market from Kazakh and Azeri suppliers. It is presumed that this competitive pressure will grow when the Kashagan field in Kazakhstan goes into operation and production continues to increase at the Azeri-Chirag-Gunashli structures in Azerbaijan.

As for the non-regional players, the Neka-Jask oil pipeline will most likely meet the interests of India, a growing world economic power and leading Asian consumer of black gold. The promising nature of this project for Delhi is obvious from two perspectives. First, the oil pipeline will make it possible for India to finally gain access to high-quality Caspian oil and diversify import sources. Second, it will give a boost to the activity of Indian companies in the oil-producing regions of the Caspian Basin.

The Iranian oil-transportation project and India's involvement in it could promote a change in much of the current architecture of economic and political cooperation in Central Asia, the Caspian Sea, and South Asia. First of all, this will have an impact on the development dynamics of the SCO, an interstate structure.

The thing is that India, which is an observer in this organization, does not take much practical participation in its problems and development plans since it does not have many interests in common with the member states. Delhi does have some common interests with the SCO member states in ensuring regional security, but in the economy, the second key development vector of this structure, the situation leaves much to be desired.

In this respect, the Neka-Jask pipeline could create a reliable launching pad for expanding economic ties between oil exporters from the SCO, such as Russia and Kazakhstan, and India. It is possible that the appearance of a new energy corridor could stimulate the implementation of other transportation projects such as the North-South corridor.

¹⁰ See "V stroitelstve nefteprovoda Neka-Djask primet uchastie Kazakhstan," available at [www.rusenergy.com], 17 June, 2008.

There can be no doubt that the difficult relations between Iran and the U.S. will be the main problem in implementing this project. Washington is always against any large foreign investments in the Iranian economy and recently its position has only become tougher due to the crisis around Iran's nuclear program. This, in turn, will make it difficult to involve partners in financing projects, as well as to obtain guarantees with respect to the export of Caspian oil via the Neka-Jask oil pipeline.

C o n c l u s i o n

The course of the big energy game in Central Asia and the Caspian during 2008 shows that neither Russia nor Iran intend to give up their strategies aimed at strengthening partnership ties with regional energy suppliers. A noteworthy aspect of their recent actions is the dynamic search for new and more efficient models of cooperation capable of creating real competition to Western projects in oil and natural gas deliveries from the Caspian-Central Asian Region.

As an analysis of the Russian and Iranian proposals shows, 2008 is a time for sounding out suppliers from the Caspian Basin and Central Asia for both players in terms of bringing their views into harmony on several key issues in price formation and cooperation in implementing joint oil and gas projects. Most likely we will see the active implementation of several of the most successful innovations next year.

At the same time, it should be noted that the success of Russia's and Iran's new projects will directly depend not only on the actions of their competitors, but also largely on the position of the Caspian and Central Asian suppliers themselves. The latter, against the background of the growing prices for raw hydrocarbons and mounting concern in the world over providing the global economy with oil and gas, are gaining a better understanding of the importance of their resources and so are trying to obtain as much economic and geopolitical advantage from this as possible. Keeping this in mind, they will make their patronage of projects being advanced by foreign partners depend directly on the preferences and future economic and political dividends offered.

ARMENIA'S ENERGY SECTOR: A REGIONAL ACTOR WITH NO ENERGY RESOURCES

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Armenia, a small country without fuel resources of its own and very limited alternative energy sources, is among those CIS countries that can boast of sustainable energy supplies. More than that, its energy export is growing by the year. Its success is partly rooted in the

Soviet past when the republic learned to be thrifty with the available resources; since that time the republic has mastered the latest effective energy-saving technologies.

The Geopolitical Aspect

A predominantly mountainous land-locked country with no access to the largest main pipelines and forced to live in the context of the “frozen conflict” with Azerbaijan, a large regional energy fuel producer, Armenia is seemingly doomed to be in constant need of hydrocarbon fuels. This was how Armenia’s future looked in the first half of the 1990s when fighting in Nagorno-Karabakh was still going on, when Georgia was steeped in instability, and when, most importantly, the Abkhazian stretch of the railway was blocked in August 1992 at the beginning of the conflict in this area. Nevertheless, Armenia was the first among the region’s countries to restore sustainable energy supplies (in 1996) and start exporting electric energy. This happened because the power consumption of new economy that came to life after the crisis of the 1990s is noticeably lower than that of Soviet economy. The Armenian government has outlined and is carrying out several measures to strengthen the country’s energy security:

- (1) consistent supply of energy resources;
- (2) higher efficiency of electric power generation;
- (3) maximum reliance on renewable energy sources; and
- (4) thrifty energy consumption.

Available Energy Sources

The information supplied by the Armenian government suggests that in 2005 out of the total amount of 3,462 thousand tons of conventional fuel Armenia uses every year its own (renewable) resources comprised less than 7 percent (about 240 thousand tons, primarily hydro resources); 1,000 thousand tons, or 29 percent, were supplied by the Armenian Nuclear Power Station (ANPS) (Armenia imports nuclear fuel which the IEA classifies within the country’s own resources). The rest (63-64 percent) is supplied by energy resources which the country has to import on a permanent scale (gas and oil products). Natural gas holds the largest share—1,600 thousand tons, or 48 percent, of the country’s total energy basis (a large part of it is used to produce electric power; for detail, see below).

This means that natural gas production (and the electric power it produces) and non-gas power production are responsible for 83-84 percent of the country’s energy balance. They are obviously the key components of Armenia’s power production¹ (the rest 16-17 percent belongs to the imported

¹ After 2005, the import of natural gas increased by approximately 10% a year (see Fig. 1 below), so the percentage of the three components in the energy balance mentioned here is now even higher. However, since we do not have more recent official data, we will rely on the situation in 2005; it also clearly shows the importance of these three spheres in Armenia’s energy balance.

products) which explains why I have limited myself to analyzing these two spheres. We cannot exclude that in the foreseeable future Armenia will acquire an oil branch of power production: there are plans to build a refinery in the republic which will use Iranian crude oil. Iran and Russia are very interested in the project now at the final stage of the feasibility studies.

Property Relations and Foreign Policy

A considerable part of assets in Armenia's energy sphere belongs to foreign, mainly Russian, investors. The largest of them are Gazprom, RAO EES, and Rosatom (with the liquidation of RAO EES its Armenian assets were transferred to the latter), etc. This could have caused (and sometimes causes) concern over the country's dependence on a foreign state (no matter how friendly). In actual fact, Russia's presence in the Armenian energy market is a positive phenomenon that brings in the necessary investments (which Armenia cannot afford, at least today) and creates some other advantages.

For example, in 2003 the ANPS was leased for trust management to Inter RAO EES of Russia on the condition that it would regularly supply the station with nuclear fuel. This is being done: the Russian company finds it easier to deal with a Russian fuel producer. There is an even more graphic example. I have in mind Armenia's close cooperation with Russia in the sphere of natural gas supplies (political factors are in play here as well), which creates obvious advantages for Armenia. Gazprom, which has to choose between the advantages created by its monopoly status on the gas market (which wants to sell at higher prices) and its position as an investor (today it is the largest shareholder of ArmRosgazprom, for details, see below), will have its interests crippled if the gas prices go up too high. Whatever the case, in the past few years Armenia has been paying less for gas than its neighbors: between April 2006 and January 2009 the price of Russian gas for Armenia was frozen at the \$110 per 1 thousand cu m (tcm) level while nearly all other countries paid \$230 per 1 tcm of Russian gas. According to the unofficial figures, between 1 January, 2009 and 2011 one thousand cu m of Russian gas will cost Armenia \$165. In April 2006 Armenia and Gazprom signed an agreement for the next 20 years under which the Russian company assumed responsibility for supplying Armenia with gas and coordinating the prices with the Armenian side (the prices will change along with the prices in Europe; gas prices inside Russia will likewise be adjusted).

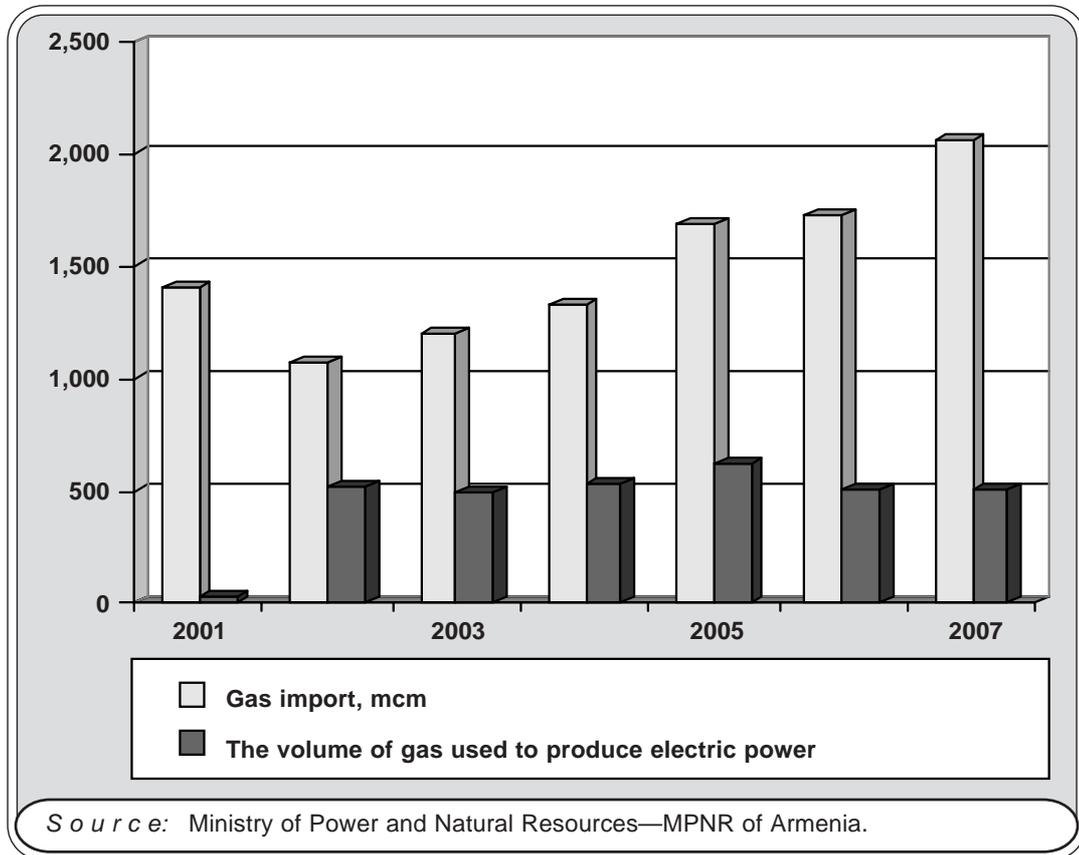
Natural Gas

Since the early 1990s gas has been reaching Armenia through the only 720 mm gas pipeline that crosses Russia and Georgia. The gas pipeline with a greater carrying capacity, which brought gas from Azerbaijan in Soviet times, cannot be used because of the Nagorno-Karabakh conflict. Over the years, Armenia has used gas from different countries, Turkmenistan in particular. In recent years it has been buying gas from Gazprom. Armenia's gas economy is controlled by ArmRosgazprom, a monopolist company in which Gazprom holds 72 percent of shares and the government of Armenia 25 percent. The underground gas storage reservoir, the only one in the Caucasus big enough to supply the country with gas for a month, is Armenia's great strategic advantage.

Gas consumption in Armenia is growing steadily (see Fig. 1): it nearly doubled between 2001 and 2007. Its increase in the last few years is explained by greater gas consumption in the spheres outside energy production. At the beginning of the decade the thermal power stations used approxi-

Figure 1

The Volumes of Imported Natural Gas and
its Use by Armenia's Power Stations
in 2001-2007



mately half of the total amount of gas consumed in the country, whereas in 2007 they consumed merely a quarter of it. The lion's share of imported gas was used in the housing sector: there has been a stunning increase—from 112 thousand in 2002 to over 470 thousand in 2007 (over 90 percent of the users were households). According to ArmRosgazprom the share of gas users in the republic's total population makes Armenia one of the world's leaders. This is a positive phenomenon: the users no longer rely on more expensive and less handy energy sources (previously, electricity was frequently used for home heating).

Transport is another large gas consumer: according to the government's estimates up to 60 percent of the cars run on gas (many of them can use either gas or petrol). Gas is cheaper and much easier to obtain: in August 2008 freight traffic almost stopped because of the war in Georgia (the main link between Armenia and the outside world).

The only gas pipeline that brings imported gas to Armenia makes it vulnerable; it is enough to mention the blast on the pipeline in the Northern Caucasus in the severe winter of 2006 when for some time Armenia was supplied with no gas at all. An energy crisis was prevented due to the supplies in gas storage, but it became clear that the country needed another pipeline, from Iran.

An agreement on it, not so much between Armenia and Iran (the latter was naturally only too eager to enter another market) as between Armenia and Russia, was achieved in 2004. (The Iran-Armenia gas pipeline will deprive Armenia's strategic ally of its monopoly on the market no matter how small.) The details of the Armenian-Russian talks remain secret, however it was absolutely clear that then President of Armenia Kocharian scored an important victory: Russia agreed on the Iran-Armenia gas pipeline. This line, or rather its Armenian part, will belong to ArmRosgazprom (together with the rest of the republic's gas sphere). Coupled with the shares of the 5th block of the Razdan Thermal Power Station (for details, see below), Gazprom's involvement in ArmRosgazprom increased from 45 percent in 2006 to the present 72 percent.

By the time this article was finished (September 2008) the gas pipeline, which stretched from Tabriz in Iran to Erevan, was almost complete; it might be commissioned later in the year. Its annual carrying capacity of 2.5 billion cu m (bcm) of gas is equal to that of the currently functioning gas pipeline that crosses Georgia. This means that the republic has doubled its energy security and added stability to its energy sector.

Armenia's Power Sector

The republic's Soviet legacy included considerable electric power production capacities (complete with the region's only NPS), which, under the new conditions, created enough power to cover domestic requirements and export the rest.

In recent years domestic power consumption has been going up at a moderate rate: from 3.4 billion kWh in 2001 to 4.7 billion in 2007 (see Fig. 2). The increase of 38 percent in six years, or 6.4 percent of the average annual growth, was below the GDP rate, which remained higher than 10 percent throughout the same period. This is probably explained by the much faster growth of gas consumption that partly replaced the need in electric power.

Figure 2 illustrates another fairly recent important fact: between 2001 and 2007 the total volume of electric power produced remained at basically the same level (under 6 billion kWh a year) and in some years even decreased. This was caused by (unexplainable) ups and downs in electric power export. Today Armenia exports electric power to Iran and Georgia in volumes that greatly fluctuate from year to year. According to MPNR, between 2003 and 2007 electric power export to Georgia vacillated between 656 million kWh in 2005 to zero in 2007; and export to Iran² fluctuated within the 12 million kWh in 2003 to 95 million kWh in 2007 range.

This means that today export rather than domestic consumption determines electric power production in Armenia. It seems (see below) that in the future export will move to the fore in the Armenian energy sector.

Table 1 illustrates another specific feature of the Armenian electric power sector: the ANSP (accountable for 13 percent of the country's installed power-producing capacities) produces over 40 percent of the energy produced. Thermal power stations, on the other hand, produce less energy than they could if all their capacities were loaded.

This policy looks reasonable: the country is lessening its dependence on imported energy resources. This also shows that Armenia has enough idling energy-producing capacities to be used in case of need. This means that since domestic consumption is fully covered Armenia can potentially export more energy. Part of the power-producing capacities of the Armenian thermal power stations

² In the case of Iran, we should talk about net export since in the winter Iran does not buy power from Armenia but sells it to the republic.

Figure 2

**Dynamics of Production and Domestic Consumption of Electric Power
in Armenia in 2001-2007**

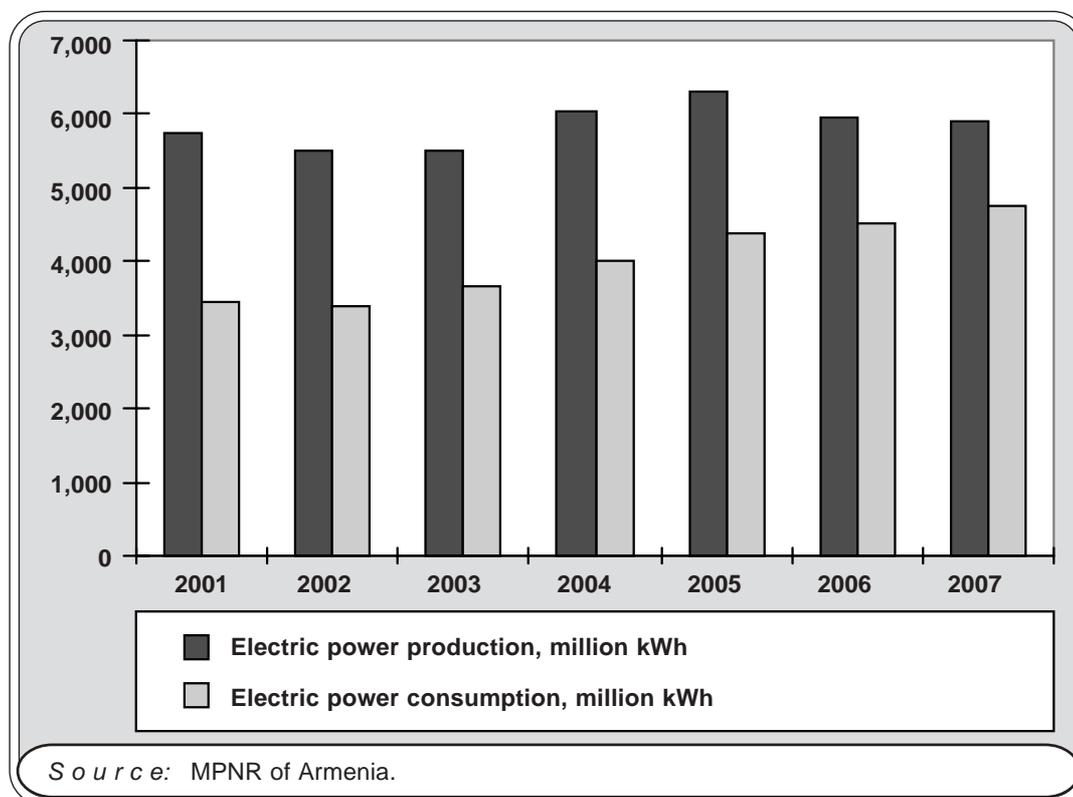


Table 1

**Installed Capacities and Electric Power Production
at Different Types of Power Stations in Armenia**

	Installed capacity ³ (% of total) by the early 2000s (MW)	Production of electric power, million kWh (% of total) ⁴	
		2006	2007
Thermal	1,700 (31)	1.475 (24.8)	1.489 (25.3)
Nuclear	407 (13)	2.640 (44.4)	2.553 (43.3)
Hydro	1,000 (32)	1.825 (30.7)	1.855 (31.4)
Total	3,100 (100)	5.940 (100)	5.897 (100)

³ The figures are taken from *Puti effektivnoy integratsii energosistem stran Iuzhnogo Kavkaza*, Baku, Erevan, Tbilisi, 2004.

⁴ Based on information of MPNR.

is obsolete and does not meet the latest efficiency criteria,⁵ however the republic's export potential remains considerable. This is confirmed by the recent statement of Minister of Power and Natural Resources of Armenia Armen Movsisian to the effect that the following year Armenia would be able to sell Turkey 1.5 billion kWh, that is, increase its electric power production by nearly a quarter.

How the Government Intends to Develop the Electric Power Sector

Today, the country has made great achievements in electric power production, at least at the regional level; in fact, the crisis of the 1990s lowered the GDP power consumption below the Soviet level (today, the country uses half of the electric power and a third of the gas it used in Soviet times to produce the same GDP).⁶ At the same time the Armenian government knows that the economy and

Table 2

**Comparative Per Capita Power Consumption and
Energy Efficiency of Armenia and Other Countries**

Country	Power consumption tons of oe per capita	Power consumption of GDP kg oe/dollar	Power consumption kWh per capita	Power consumption kWh/dollar	Emission of CO ₂ kg/dollar GDP	Emission of CO ₂ tons per capita
OSCE	4.67	0.19	8,046	0.32	0.44	10.96
Armenia	0.63	0.83	1,223	1.61	1.2	0.91
Czech Republic	4.10	0.72	5,890	1.03	1.98	11.27
Slovakia	3.44	0.74	5,049	1.08	1.5	7.04
Hungary	2.50	0.44	3,545	0.62	0.95	5.46
Lithuania	2.48	0.84	2,828	0.95	1.18	3.47

oe—oil equivalent (in tons and kilograms).

Source: MPNR of Armenia.

⁵ According to MPNR of Armenia, out of 3,100 megawatts of installed capacity only 2,400 megawatts can be used.

⁶ For more detail, see: H. Khachatryan, "The Economic Status of South Caucasus Countries in 15 Years of Independence: Comparative Analysis," *Armenian Trends*, Q2, 2006, pp. 23-29.

energy sector do not meet the latest requirements by far. This is testified by the GDP power consumption and various assessments of energy efficiency shown in Table 2.

To prevent the country from falling behind even the less developed countries illustrated by Table 2 the government adopted two basic documents:

- (a) **The Development Strategy of Armenia's Energy Sector in the Context of the Country's Economic Development** (dated 23 June, 2005) and
- (b) **The National Program of the Republic of Armenia on Energy-Saving Measures and Renewable Energy** (dated 18 January, 2007).

The programs outlined the roads to modernization with special emphasis on the use of renewable resources (smaller rivers, the sun, wind, and geothermal springs) and energy saving measures. Today, modernization of electric power substations has come to the fore: it is expected to cut down losses and upgrade the system's reliability. It is mostly funded from abroad, by the German State Development Bank KfW and the Development Bank of Japan.

New power-producing capacities are also badly needed, therefore the following projects will be implemented on a priority basis:

1. The state-of-the-art block with a combined gas-turbine cycle at the Erevan Thermal Station with a capacity of 240 MW; the project will be implemented using a Japanese \$160 million credit with a repayment period of 40 years. In fact, this will be a new block (the old thermal station with an installed capacity of 550 MW built in the 1960s and no longer meeting the current requirements will be probably taken out of operation). The new block will use more than half as much gas (compared to the amount of gas used today) to produce 1 kW of electric power. The initial commissioning date of late 2008 was not observed: the project started in July 2008 is expected to be completed by April 2010.
2. The ANPS needs a new block since the presently functioning block with a capacity of 407 MW must be removed from operation by 2016. For obvious reasons this project is seen as the key in the republic's energy program; the country's leaders repeated time and again that the ANPS could be closed down only if the republic acquired another nuclear power station. The Armenian government declined the demand of the European Union to close down the ANPS by 2004; modernization of the old station continued until the prospect appeared of finding investors for the new station. The feasibility study indicates that the new block may reach a capacity of 1,000 MW. Armenia counts on European and Russian money (as distinct from the present ANPS from which foreign investors were banned). The feasibility study of the new station, which is to be built next to the present one not far from the city of Metsamor 40 km to the west from Erevan, was paid for by the American government and IAEA.
3. The fifth block of the Razdan Thermal Power Station must be completed (construction began in Soviet times and was partly completed in the 1990s). Gazprom bought the block from Armenia in April 2006 for \$248.8 million. The Russian company pledged to add a gas turbine to it (at the cost of \$180 million) that was expected to lower gas consumption per 1 kW of electric power by more than 30%. The aggregate capacity of the block is expected to reach 450 MW. Today ArmRosgazprom intends to commission the station no later than 2010 (the earlier commissioning date being mid-2008).
4. A new hydropower station with a capacity of 140 MW on the Arax River at the border with Iran. The sides, Armenia and the IRI, have been discussing the joint project for many years now but it has not yet reached the construction stage.

Armenia as an Energy Exporter

In Soviet times Armenia sent electric energy to its all four neighbors (two of them were Soviet republics). Today it can do the same. Much is being done to increase electric power export to Georgia and Iran, which during Soviet power and in the post-Soviet times used and are using Armenian electric power. In recent years two power lines were built (one in each of the two directions); two more lines are planned. Tripartite talks are underway to ensure sustainable power supply along the Georgia-Armenia-Iran axis and to coordinate their power systems. Armenia plays the key role if only because it is the axis' central element.

I have written above that energy supplies to Georgia can hardly be called regular (in recent years Armenia has been mostly sending energy to Samtskhe-Javakhetia, a region of Georgia with a predominantly Armenian population). After the August 2008 war the future of electric power export to Georgia remains vague.

The situation with Iran is different; delivery of energy is seasonal: in the winter Iran sells energy while in the summer it imports its electric power; on top of this, Iran is prepared to buy more electric power in Armenia. Under the treaty on the Iran-Armenia gas pipeline signed on 13 May, 2004 in Erevan, at the initial stage Armenia will receive up to 1.1 bcm of gas every year; later the figure will go to up to 2.3 bcm. Under the agreement Armenia will pay for Iranian gas with electric power at a ratio of 1 kWh per 1 cu m of gas. This means that Iran accepted the possibility that in 2009 it will import over 3 billion kWh of Armenian electric power (half of the present annual production, as is shown in Figure 2). It is not yet clear whether mutual supplies will take place at all and what amounts will be involved since Armenia is falling behind the schedule of commissioning new generating capacities, however the prospects of large-scale electric power export to Iran are still feasible.

Armenia might start selling electric power to Turkey. According to Minister Armen Movsisian, during President of Turkey Abdullah Gül's unofficial visit to Armenia (which can be described as historic),⁷ the ministry and Unit, a private Turkish company, agreed on electric power exports to Turkey at an initial annual amount of about 1.5 billion kWh (later the volumes may increase). In anticipation of this the Turkish company has to restore the Gumri-Kars power transmission line. The deal, a potential breakthrough in the two countries' economic relations, confirms Armenia's status of a regional power exporter at the very least.

In the next three or four years (granted that the local situation remains favorable), Armenia might increase its annual electric power export to a level of 2.5-3.5 billion kWh (the equivalent of \$170 million), or 15 percent of the country's exports in 2007. If realized the region's economic map will look very different while the region will become more stable politically. These bright prospects depend, to a great extent, on political factors. It remains to be seen whether they will develop in the right direction.

⁷ Officially, President Gül came to Armenia, a country with which Turkey has no diplomatic relations, on an invitation from President of Armenia Serzh Sarkisian to watch the match between the national football teams of the two countries.

KAZAKHSTAN'S FUEL AND ENERGY COMPLEX: REFORMS, PROBLEMS, AND PROSPECTS

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Kazakhstan's current energy policy is aimed at ensuring the state's energy independence and raising the efficiency of energy production and consumption. These strategic tasks are being carried out under conditions of sectoral diversification, which is easing the transition from the economy's raw material to service-technological orientation within the framework of state pro-

grams and industrial-innovative development strategies. However, the growing threats to the environment directly related to the development of Kazakhstan's fuel and energy complex are currently acquiring truly global dimensions and require reconsideration of long-term energy programs from the viewpoint of the state's environmental security.

The Fuel and Energy Complex

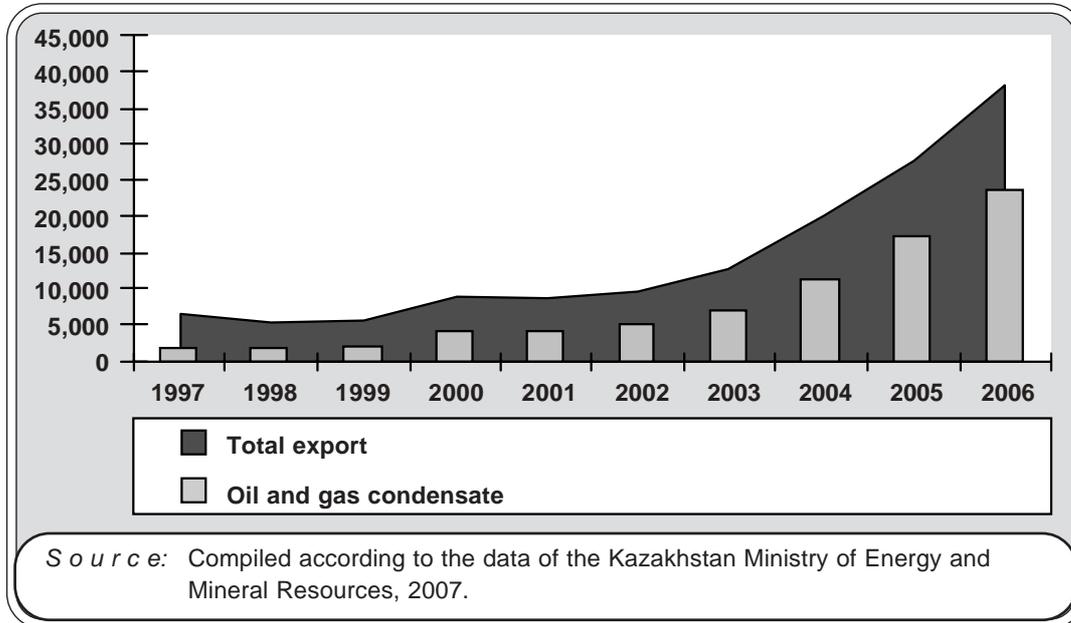
The past few years have been characterized by high rates of the republic's economic development. In 2005-2006, the increase in Kazakhstan's GDP in real terms (10.7%)¹ was higher than the forecasts of Standard & Poor's Ratings Services, Fitch Ratings, and the CIS Statistics Board. The average annual increase rate in the GDP amounted to 10.3%, which was much higher than the mean value for the Commonwealth (7.2%). According to the official data, the amount of investments in subsurface management for 1997-2006 rose five-fold and reached 14.8 billion dollars in 2006. The same year 64.8 million tons of oil and gas were produced in Kazakhstan with a forecast of 62 million tons. The cost volumes of Kazakhstan's foreign trade, taking into account the presumed average world price of Brent brand oil of 47 dollars a barrel (the GDP deflator amounted to 117.9%), were much higher than the forecast levels: export increased by 37.3% (with a forecast of 8.6%) and import by 36.4% (with a forecast of 24%).² Products of the fuel and energy complex represented primarily by oil and gas condensate (see Fig. 1) accounted for two thirds of the total export volume (67.5%).

¹ See: "Promyshlennost' Kazakhstana i ego regionov za 2003-2006 gg.," in: *Statisticheskii sbornik Agentstva po statistike RK*, 2007.

² See: P. Zolin, *et al.*, "Rossia—podtians'! (natsional'nye ekonomiki stran SNG v 2006 g.)," 3 May, 2007, available at [<http://www.trinitas.ru/rus/doc/0230/002a/02301007.htm>].

Figure 1

**Oil and Gas Condensate in the Commodity Composition of Export
(million dollars)**



On the whole, for the past ten years, an active increase has been observed in the percentage of the fuel and energy complex in Kazakhstan's export, while there was a slight drop in its import (see Fig. 2).

According to the results of 2007, the industrial production growth rates in Kazakhstan dropped on average to 4.5%, whereby in the mining industry, there was an increase of 2.6%, in the processing industry of 6.7%, and in the production and distribution of electricity, gas, steam, and water of 7.3%.³ Despite the world liquidity crisis and the overall slowdown in industrial growth, the republic is still demonstrating good economic indices due to the high world prices for exportable fuel and energy resources. Oil and gas condensate production rose in 2007 by 3.7% and amounted to 67.2 million tons.⁴

Sixty point six million tons of oil were exported. Since the increase in commodity export is mainly based on cost and not on real growth, its dependence on price fluctuations becomes all the more obvious.

The fuel and energy complex formed the foundation of Kazakhstan's economic growth and was the main source of environmental pollution both within the republic and on a trans-regional scale. For example, during the past decade, Kazakhstan occupied first place in Central Asia and third among the former Soviet countries in terms of volume of greenhouse gas emissions. In 2005, the total emission in Kazakhstan of gases with a direct greenhouse effect amounted to 240.7 million tons in terms of carbon dioxide.⁵ The energy industry is the main culprit with respect to greenhouse gas emissions, while agriculture follows in second place. In 2005, there were more than 15.2 tons of greenhouse gas emissions per capita.

³ See: "Ministrui obeshchaet oblegchit' biznes-klimat dlia otechestvennykh predprinimatelei," *Panorama* (Kazakhstan), No. 2, 25 January, 2008.

⁴ See: Report of the Energy Minister at a meeting of the Kazakhstan Ministry of Energy and Mineral Resources, 7 February, 2008, available at [http://www.memr.gov.kz/?mod=news&year=2008&lng=rus&cat_id=1&id=254].

⁵ See: *Informatsionny biulleten'* (Kazakhstan Ministry of Environmental Protection), No. 1 (87), 2007.

Figure 2

Share of the Fuel and Energy Complex in Kazakhstan's Export and Import (%)

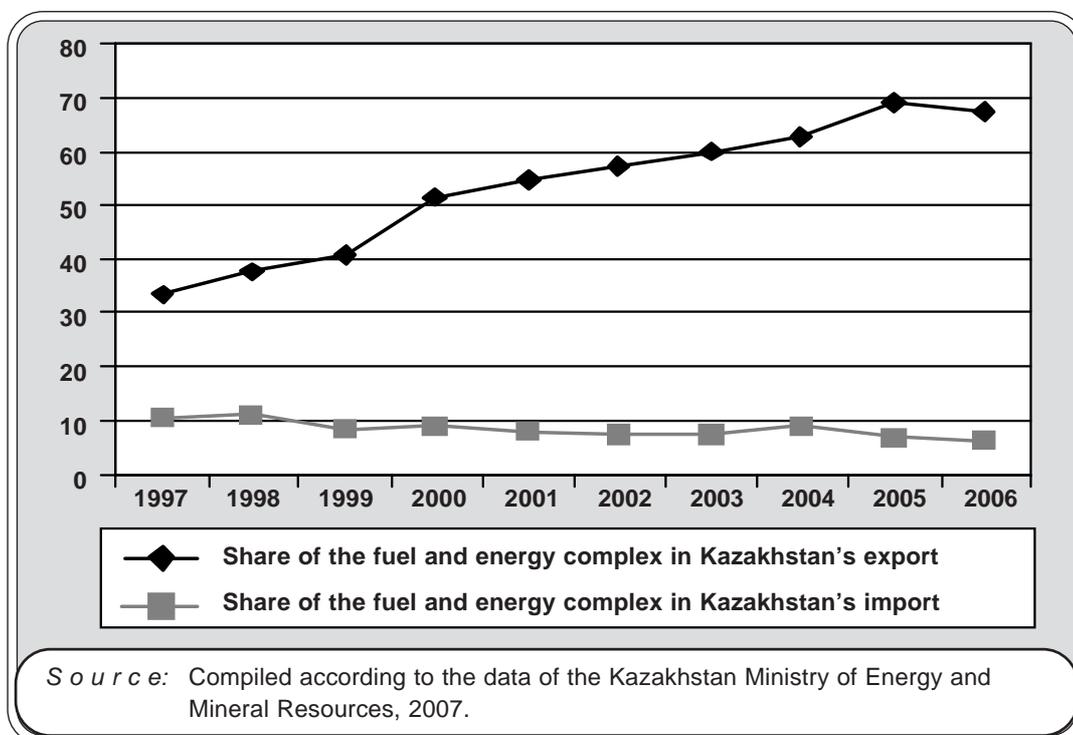
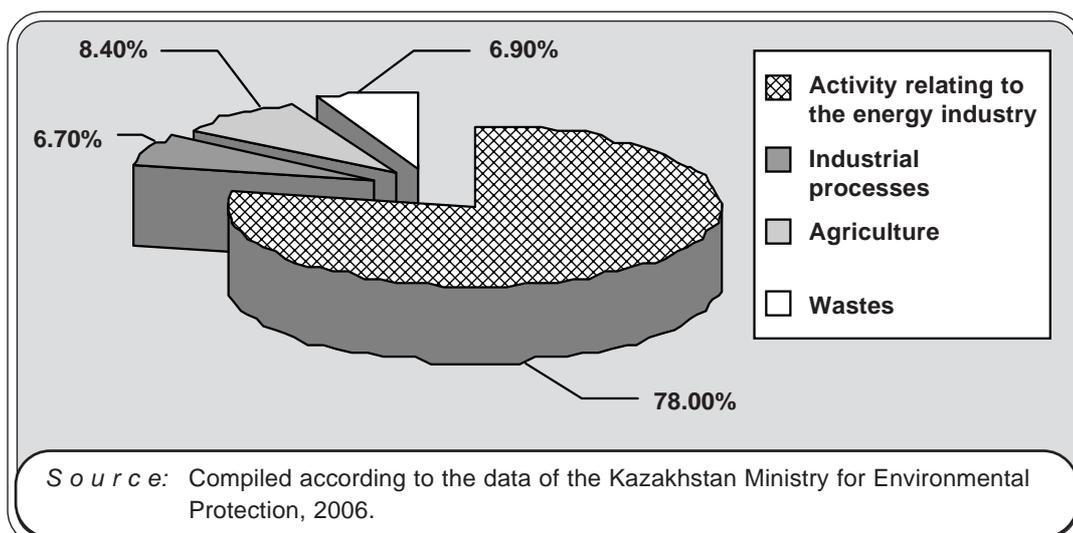


Figure 3

Percentage of Sources of Greenhouse Gas Emissions in the Total Emissions in 2005



In this respect, the drawing up of a strategic course for developing the national fuel and energy complex based on the principles of the state's new environmentally oriented energy policy is becoming particularly urgent for ensuring the sustainability of the national economy.

Today, Kazakhstan is one of the largest countries in the world in terms of reserves and production of fuel and energy resources, which defines the republic's high economic potential. The fuel and energy sectors—oil- and gas-producing and coal industries, as well as the power engineering industry—are developing in compliance with the Program of Development of the Fuel and Energy Complex until 2015 and the *Toplivno-energeticheskiy balans RK* (Fuel and Energy Balance of Kazakhstan). The volume of the resource part of the Fuel and Energy Balance increased in 2006 compared with 2005 by more than one quarter, constituting 320.6 million tonnes of oil equivalent (toe). In so doing, 73.4% of the inflow was formed from the production of fuel and energy resources, and 8.5% from their import. A total of 186.4 million toe was consumed on the country's domestic market, 32.9% of which was used for production and technological needs, and 16.7% for transformation into other forms of energy and fuel.⁶

At present, oil, including gas condensate, accounts for 45.3% of the total volume of natural fuel and energy resources consumed, coal for 31.3%, and natural gas for 23.4%. In 2006, energy consumption per capita amounted to 8.7 toe in the Republic of Kazakhstan.

Market Reforms in the Economy

The impressive results of Kazakhstan's economic growth during the years of independence were largely engendered by successful measures aimed at reforming and restructuring the sectors of the fuel and energy complex. The market reforms in the republic's economy and reform of the energy sector within their framework began during the crisis of 1991; expert opinion is that it is possible to divide the period of reforms into several stages.

The reforms of the first stage (1992-1994) were aimed at liberalizing the economy and creating a legislative and institutional basis for market relations. This period was marked by a significant drop in the volumes of production, work, and services in all branches. Inflation devaluated all savings and circulating funds in a short time; the products of domestic enterprises could not be sold on the domestic and foreign markets. In 1994, the volume of industrial production dropped by 47.7% compared with 1990. Production capacities in the light, chemical, and machine-building industries, as well as in the manufacture of building materials, decreased at a rapid rate.

With the arrival of large foreign companies in Kazakhstan's industry, a steady trend appeared in 1993 toward an increase in investments and an accompanying structural shift in the national economy. For example, the share of capital investments in the oil and gas industry rose from 31% in 1991 to 51% in 1994. In so doing, financing of the metallurgical industry remained at a level of 17%, while it decreased in all other branches.

The second stage of reforms (1995-1999) consisted of carrying out measures promoting an increase in the production of export products and stabilization of industries that met the demands of the domestic market. The real sector of the economy underwent economic reforms: reconstruction of production units was carried out and measures were adopted for the rehabilitation and bankruptcy of financially unprofitable enterprises. Conditions are being created for an inflow of foreign investments

⁶ See: *Toplivno-energeticheskiy balans RK*, Statistical Bulletin, Kazakhstan Statistics Agency, 2006.

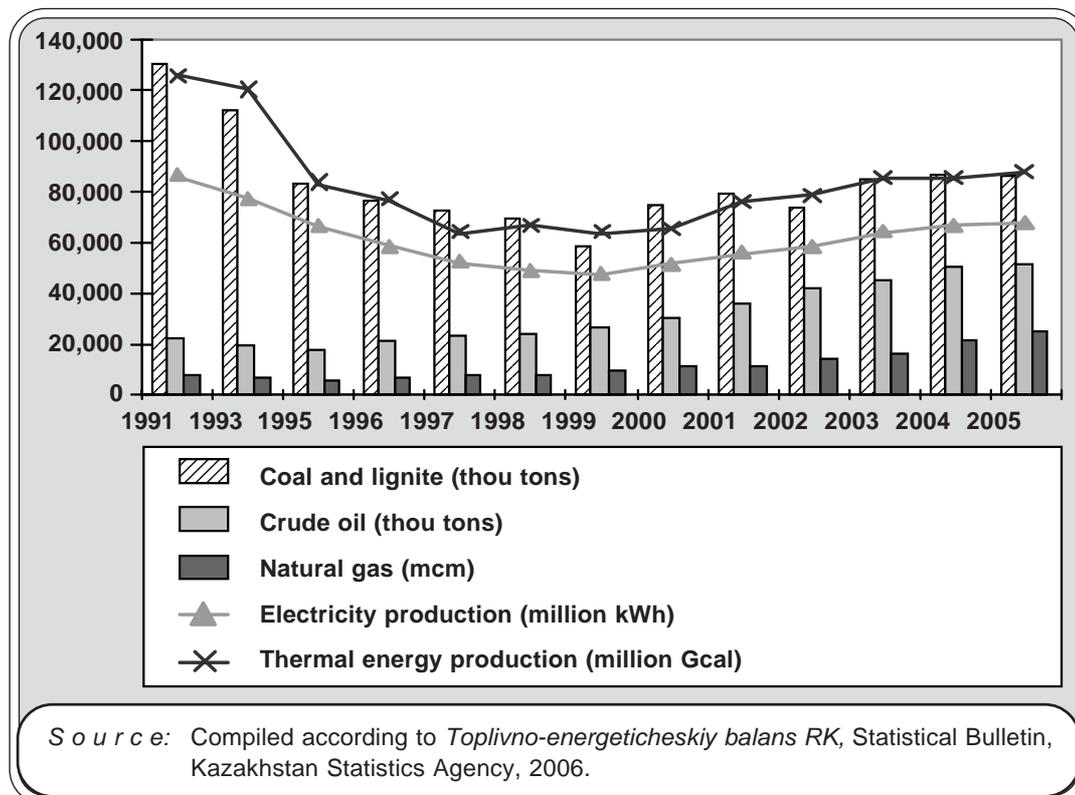
into the strategic branches of the economy. The efforts made have yielded positive results: in 1997, for the first time since independence, a 4%-increment in industrial production was ensured, and in 2000 it reached 14.6%. An increase in domestic consumption was noted: in 1999-2000, the total volume of state purchases almost doubled.

At the current stage, Kazakhstan's industrial policy is aimed at supporting domestic goods producers by implementing measures aimed at import substitution and protection of the domestic market from unfair competition. It aims to achieve sustainable economic growth based on the balanced development of industry, as well as gradual substitution of the raw material component in the gross national product for high-tech production. The fuel and energy sector is playing the main role in ensuring Kazakhstan's economic, political, and social progress, and so the achievement of national strategic goals largely depends on drawing up a new energy policy that meets the criteria of the state's sustainable development. The tasks set should be resolved on the basis of a comprehensive and objective analysis of the processes occurring in the fuel and energy sectors during reform of the Kazakhstan economy.

The overall economic slump that began in 1991 had a negative impact on the state of the entire fuel and energy complex: production volumes in the electric and thermal power industry and in the oil- and gas-producing and coal industries has dropped in the past seven years by 10-50%. 1996-1999 were turning points. As a result of the inflow of investments and the effect of the market reforms, the state of the fuel and energy sectors stabilized (see Fig. 4).

Figure 4

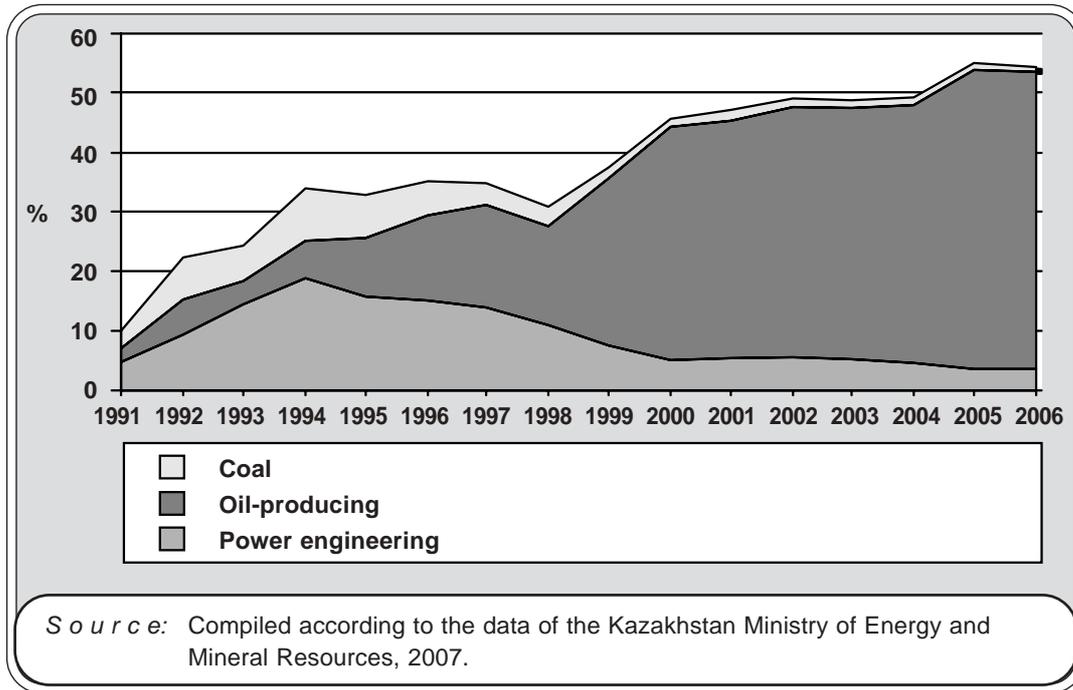
Production Volume of Kazakhstan's Fuel and Energy Sectors in Kind



Due to the rise in world prices for hydrocarbons, characteristic trends were designated in the change in industrial production volumes in current prices in certain sectors of Kazakhstan's fuel and energy complex: active growth dynamics in the oil-producing industry and a drop (after a slight increase) in similar indices of electricity manufacture and coal production (see Fig. 5). We will look at the domestic and foreign prerequisites, reasons, and consequences of the changes that occurred.

Figure 5

Change in the Share of Sectors of the Fuel and Energy Complex
in Kazakhstan's Industry in Current Prices



The Oil Industry

The oil and gas industry which ensures one third of the budget tax revenues is the moving force behind Kazakhstan's economy. Kazakhstan's hydrocarbon potential is very high in the total volume of world mineral resources. In terms of confirmed oil and gas reserves, the republic is among the ten leading countries of the world and occupies second place among the CIS states. At present, extractable oil reserves, including in the Kazakhstan Sector of the Caspian Sea, amount to 4.8 billion tons in the republic, or 35 billion barrels, while gas amounts to 3.3 tcm. The total forecast resources of hydrocarbons in Kazakhstan are estimated within a range of 12 to 17 billion tons, more than 60% of which is accounted for by the Kazakhstan Sector of the Caspian Sea.

Privatization of the oil industry was carried out in 1994-1997. For most enterprises, it envisaged the initial stage in share-holding and privatization on a competitive level. After signing the Production Sharing Agreement between the Kazakhstan Government and the International Consortium for

the Northern Caspian (1997), measures were carried out to restructure the oil industry. This promoted a perceptible improvement in the production and financial indices of the extractive enterprises.

For example, the production of energy resources in Kazakhstan in 2001 was more than two-fold higher than the total domestic consumption of primary fuel and energy resources, amounting to 83.8 million tons of oil equivalent (toe). As a result, the export volume of energy resources reached 51.3 million toe. But the level of their import also remained sufficiently high and amounted to 20% of domestic consumption due to the already developed electricity network and special features of the existing gas-pipeline system, as well as to the market situation. At present, the south of Kazakhstan is also importing energy and natural gas from the Central Asian republics, and a significant amount of electric power is delivered to the west of Kazakhstan from Russia. Electric energy manufactured at enterprises in the north and center of Kazakhstan is exported to Russia, the PRC, and other states.

The National KazMunaiGaz Company (KMG) created in 2002 has made a significant contribution to the production and economic development of the republic's oil- and gas-producing industry, including by attracting investments and protecting state interests in agreements on the prospecting, production, and refining of hydrocarbons. A State Program for the Development of the Kazakhstan Sector of the Caspian Sea was adopted in 2003 to ensure the rational and safe assimilation of hydrocarbon resources and the development of the country's accompanying industries. At present, the second stage of the Program (2006-2010) is being implemented. One of the most important oil projects in this region is the North Caspian project aimed at industrial development of the Kashagan field.

During the past five years, the share of oil production in Kazakhstan's industry increased by 50%. The current development strategy for the republic's oil and gas complex is based on three main vectors: augmenting the production of raw hydrocarbons; creating a corresponding transportation network for delivering energy resources to world consumers, and raising the capacity of the oil-refining and petrochemical industries. The state's low level of participation (about 15%) in this strategic branch is a factor of instability in the oil and gas sector, which is generating certain risks in the development of the entire national economy.

In 2007, the state production structure Prospecting Production "KazMunaiGaz" (PP KMG) increased its oil production volume to 11.6% compared with 2006. This growth was prompted by PP KMG acquiring a 50% share in the Kazgermunai and CCEL companies. The increase in the national company's share in the oil and gas projects in Kazakhstan in order to raise the state's energy security has become a characteristic trend of the past few years. For example, in January 2008, the economic and operational model for developing Kashagan was reconsidered and an agreement was reached with the foreign investors of the North Caspian project (Eni, Total, ExxonMobil, Shell, ConocoPhillips, and Inpex) on increasing Kazakhstan's share from 8.33% to 16.81%. Moreover, KMG was entrusted with exercising control over the outlays and work quality at the field in light of the complaints that tax and environmental state agencies were making on the operator.⁷

The Coal Industry

The Republic of Kazakhstan occupies seventh place in the world in terms of coal reserves,⁸ most of which are represented by anthracites and bituminous coal. The country's proven reserves

⁷ See: "Peregovory po Kashaganu zavershilis' v pol'zu Kazakhstana," *Panorama* (Kazakhstan), No. 1, 18 January, 2008.

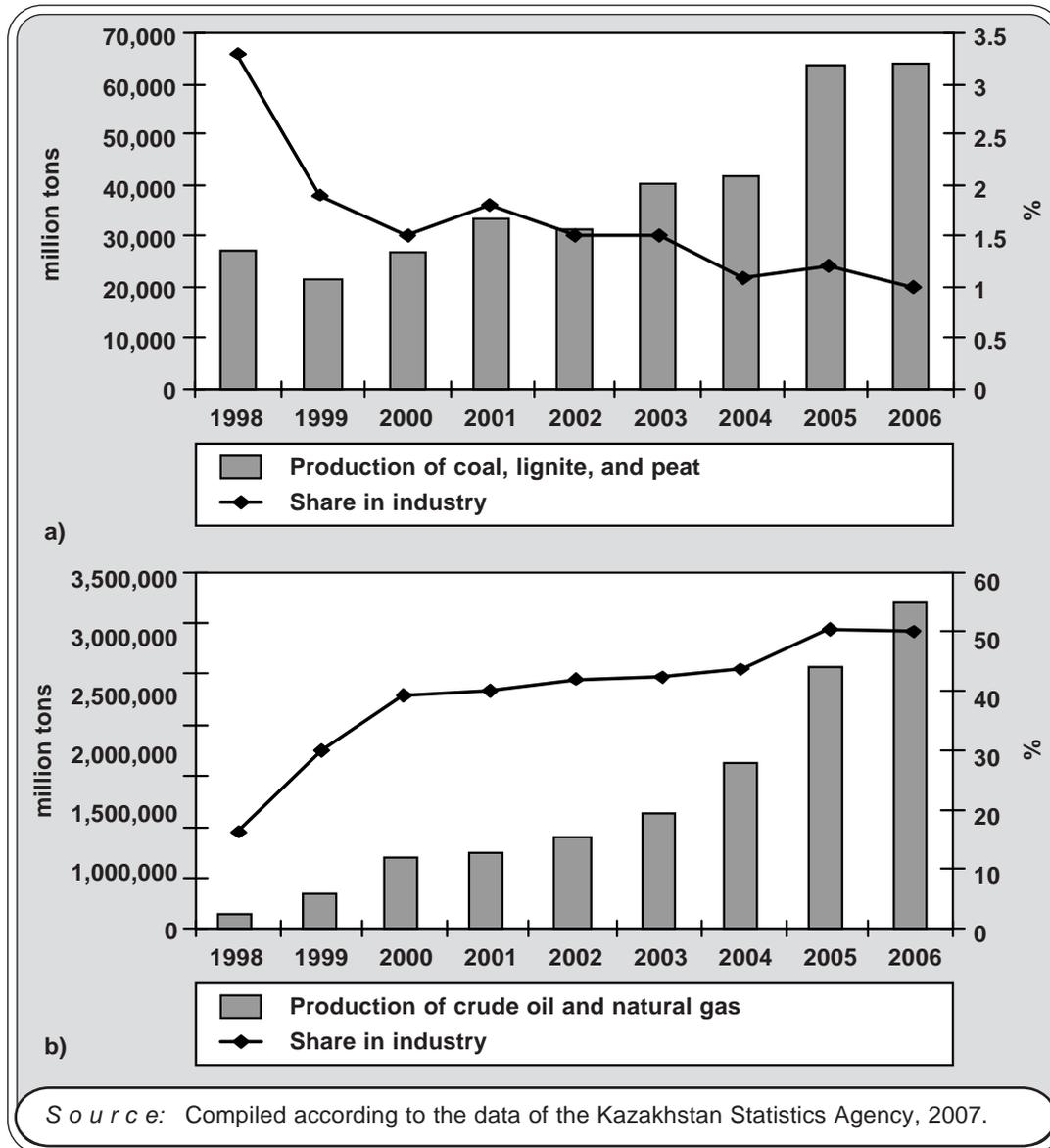
⁸ See: *BP Statistical Review of World Energy*, 2005.

top 31 billion tons, which amounts to 4% of the total volume of the world reserves. In terms of coal production per capita, the republic occupies first place among the CIS countries and is one of the ten largest producers and exporters on the world market. Power-generating and coking coal, which are the most valuable for industry, are concentrated in 16 fields in the Karaganda, Ekibastuz, and Turgai basins.

Privatization of the producing enterprises and elimination of unprofitable production units in 1996-2000 helped the coal industry to withdraw from its crisis. The efficiency of sectoral manage-

Figure 6

Growth Rates in the Production of
a) Coal and b) Oil and the Share of These Branches in Kazakhstan's Industry



ment was largely raised thanks to the activity of foreign investors; in particular, systems for monitoring and forecasting the market situation were introduced. Subsequent optimization of the mine and pit-run funds yielded positive results: the main funds were used more efficiently and the net cost of oil production was reduced. Vertically integrated structures that included coal, electricity, and metal production (AO Ispat-Karmet, the Kazakhmys Corporation, the Eurasian Energy Corporation, TOO Bogatyr Akse Komir, and others) were created, which ensured a stable sales market and high production profit.

In 2006, the total coal export volume amounted to 479.9 million dollars in monetary terms. The Russian Federation was and still is the main importer. Since 2001, Kazakh coal has been delivered to Finland, the Netherlands, Rumania, and Poland, and since 2003 to the Czech Republic and Turkey. There is reason to presume that in the near future, Kazakhstan will acquire another large coal importer—the People's Republic of China.

At present, 70% of coal production is consumed domestically. The coal industry is one of the key industries in Kazakhstan, supplying the energy industry, metallurgy, and other industries, including public services, with fuel and raw materials. All the same, the annual increase in coal production volumes is accompanied by a drop in the cost share of the coal sector in industry, which is due to the record growth rates in the price of oil and the increase in oil production (see Fig. 6).

Until recently, the state owned no share of Kazakhstan's coal industry. Eighty-seven point seven percent of the total oil production was carried out by five large private companies: Bogatyr Akse Komir, the Eurasian Energy Corporation, Maikuben Vest, Mittal Stil Temirtau, and Kazakhmys. Today, 50% of the shares of Bogatyr's open-pit coal mine, at which 42.8% of the country's entire coal resources is produced, have been returned to the Samruk State Holding Company. The Kazakhstan government is also planning to purchase other strategic facilities of industrial infrastructure in the near future (including of energy-generating enterprises), which is vitally important for strengthening national energy security. Almost 80% of the electricity in the country is manufactured at coal stations, and so coal is still the main type of fuel ensuring the development of the energy industry in the foreseeable future. In compliance with the coal industry development strategy, there are plans to bring coal production up to 95-97 million tons in 2015.

Efficient and waste-free use of solid fuel, as well as expansion of the sales markets of power-generating coal are long-term priorities of the coal industry. A joint fuel and energy balance for the Republic of Kazakhstan and the Russian Federation until 2020 has been drawn up. The coal industry is switching to international standards of management quality, environment, health protection, and safe work conditions. The mines of the largest basin in the republic, Karaganda, have been reconstructed, which made it possible to increase the volumes of high-quality coke production. Projects are being implemented on the utilization of methane from coal beds, mining allotments, and liquidated mines. The introduction of new sustainable technology is helping to improve the environmental and economic state of the coal industry.

The Gas Industry

In terms of natural gas resources, Kazakhstan occupies eleventh place in the world. Its potential reserves, counting the fields of the Caspian Shelf, amount to 6-8 tcm. It should be noted that 98% of the total industrial gas reserves are located in the four western regions of the country. The annual increase in gas production amounts on average to 17%. The slump in the gas industry observed since 1991 was overcome by 2000 after structural reorganization of the industry was carried out. When the KazTrans-Gaz state company went into operation, there was a subsequent rise in the consumption of natural gas and stabilization of its delivery volumes.

The gas industry is functioning in compliance with the Development Program for the Industry in 2004-2010. In 2007, production increased more than three-fold compared with 1997 and amounted to 29.6 bcm. In so doing, the main increase (8.7%) compared with the previous year, 2006, was provided by the Karachaganak Petroleum Operating b.v. Company, TOO Tengizshevroil, and TOO Kazgermunai Joint Venture. Taking into account the potential of the Caspian Shelf, there are plans to bring the total production volume up to 70 bcm by 2015.

Assimilation of the Karachaganak oil and gas-condensate field was an important stage in the development of Kazakhstan's gas industry. The innovated technique of pumping unrefined gas back into the bed at a depth of up to 5 km was applied for the first time in the world at this field. In 2007, 14.2 bcm of gas were produced at the Karachaganak field, whereby 6.3 bcm of this amount was pumped back into the bed.⁹ The refining and sale of Karachaganak gas is being carried out in cooperation with Russia. In 2007, an Agreement on the Creation of a Joint Enterprise Based on the Orenburg Gas-Refining Plant and long-term agreements on the buy-sell of unrefined and refined gas from the Karachaganak field were signed with the Russian Federation.

The republic's dependence on the import of natural gas is still causing gas supply problems. In the 1990s, about half of the gas required was imported from Uzbekistan, Turkmenistan, and Russia. Until now, the southern regions of Kazakhstan have been supplied with Uzbek gas, which entails certain risks. In 2006, the ratio of export to import of natural gas corresponded to 540.4 and 470.3 million dollars in monetary terms. Last year, the KazTransGaz Company, Russia's Gazprom, and the Uzbekneftegaz National Company signed a treaty in Tashkent on deliveries in 2008 to Kazakhstan of 3.5 bcm of natural gas (30% more than in 2007).¹⁰ Under a swap agreement with Gazprom, the Kazakh side, in exchange for Uzbek gas purchased by the Russian company, will deliver gas from the Karachaganak field to Russia on mutually advantageous terms. Agreements were also reached earlier on supplying two of Kazakhstan's western regions with Russian gas.

The Transportation of Hydrocarbons

At the current stage, one of the main strategic tasks in the development of the fuel and energy complex is augmenting the republic's transit potential with respect to oil and gas export. In 2000, reconstruction of the Atyrau-Samara oil pipeline was completed, via which a large amount of Kazakh oil is being transported today. The Tengiz-Novorossiisk export oil pipeline was put into operation in 2001 in order to reach the Black Sea ports. There are plans to implement large-scale projects to expand the Caspian Pipeline Consortium, create a Kazakhstan Caspian Oil Transportation System along the Aktau-Baku-Tbilisi-Ceyhan route, and carry out joint research of the Kazakhstan-Turkmenistan-Iran oil pipeline.

In 1998, an agreement was entered with the PRC on the stage-by-stage construction of the Atyrau-Kenkiyak-Kumkol-Atasu-Alashankou pipeline with a throughput capacity of 25 million tons of oil a year. In 2004, the Atyrau-Kenkiyak section was put into operation, and in 2006, laying of the Atasu-Alashankou oil pipeline was completed. The Chinese side will finish building the Kenkiyak-Kumkol-Atasu section in October 2009.¹¹

⁹ See: "Results of the Socioeconomic Development of the Fuel and Energy Complex Sectors for 2007," 6 February, 2008, available at [http://www.memr.gov.kz/?mod=news&year=2008&lng=rus&cat_id=26&id=255].

¹⁰ See: "Kazakhstan sokhranil v 2008 godu stoimost' postavok uzbekskogo gaza na prezhnem urovne blagodaria swap-dogovoru s 'Gazpromom'," *Panorama* (Kazakhstan), No. 2, 25 January, 2008.

¹¹ Reuters (Beijing), 2007.

Kazakhstan's internal and external gas transportation systems include the main Central Asia-Center, Soiuz, Orenburg-Novoposkov, and Gazli-Shymkent-Bishkek-Almaty pipelines, as well as the two-branch Bukhara-Ural gas pipeline. Their total length, taking into account the discharge and supply pipelines in Kazakhstan, amounts to almost 10,000 km. The already developed system of mainline and distributing gas pipelines makes it possible to deliver natural gas to 9 of Kazakhstan's 14 regions.

In order to reduce the dependence of the republic's southern regions on deliveries of Uzbek gas, in 2003 the Amangeldy-Taraz main gas pipeline was put into operation. In the medium term there are plans to increase the throughput capacity of the CAC main pipeline to 60 bcm a year in order to transport the growing volumes of natural gas from Turkmenistan and Uzbekistan. In 2007, an Agreement on Cooperation in Laying and Operating the Kazakhstan-China Gas Pipeline was signed between the governments of Kazakhstan and the PRC, the first section of which is to be completed by the end of 2009.

The Electric Power Industry

Reform of Kazakhstan's national electric power industry was the main prerequisite for the republic's successful integration into the world economy. Until the mid-1990s, Kazakhstan's electric power industry was a state vertical-integrated monopoly, which did not provide the industry with sufficient financing and rejuvenation. The sector was characterized by low indices of economic and technological efficiency, while the wear-and-tear of the main production funds reached 50%. Between 1991 and 1999, the country experienced a drop in electric power production and consumption.

Radical reform of the industry's structure and property relations began in 1995 in compliance with the Kazakhstan presidential decree On Electric Power Industry and the resolutions of the Kazakhstan Government On Reorganizing Kazakhstan's Energy Industry, as well as On the Program of Privatization and Restructuring in the Electric Power Industry.

Reform of the electric power industry was carried out in stages. In 1995-1996, power stations were transformed into joint-stock companies with the corresponding management and juridical independence. Regional distributing electricity network companies and an integrated electricity network management company, the KEGOC Joint-Stock Company, were created. Electricity transmission and customer supply functions were distributed in regional electric network companies. Organizations that were independent legal entities supplying electricity to local consumers were created in every region.

The second stage of the reforms (1997-2003) was carried out within the framework of the Kazakhstan Government Resolution on Additional Measures for Implementing the Privatization and Restructuring Program in the Energy Industry and Further Reform of the Electricity Market. Principles for organizing the market, rights and obligations of consumers, and structure of contractual relations were legislatively enforced for the first time. The electric power sector was divided into two parts: competitive (electric power manufacture and rendering services to specialized enterprises) and monopoly (the transmission and distribution of electric power). As a result of the reforms, most power stations were privatized and a model for a competitive wholesale electric power market was adopted on the basis of direct buy-sell contracts and ensuring open access to power transmission services via the electricity networks of the KEGOC Joint-Stock Company.

On the basis of the Kazakhstan Operator of the Electric Power and Capacity Market Joint-Stock Company, a spot exchange, centralized trading in electric power under "day in advance" conditions, began operating for the first time in the CIS countries. Over time, trading was included in the range of services for market participants on the delivery of electric power in the medium and long term, as well

as on the delivery of electric power during operation hours. The system of electronic trading introduced raised the objectivity and transparency of this market.

At present, in compliance with the Kazakhstan Law on Electric Power Industry, the third development stage in market relations is underway. Legal documents regulating questions relating to the organization and functioning of a wholesale electric power market, systemic and auxiliary service market, centralized trading of electric power, and a retail electric power market have been adopted. In order to regulate imbalances in electric power production and consumption, the market entities approved the Regulations for the Functioning of a Balanced Electric Power Market, which came into effect on 1 January, 2008.

According to Russian experts, Kazakhstan's competitive wholesale electric power market stands out in terms of its size among the post-socialist states, but its structure, with its small exchange market percentage, is typical of developing markets.¹² Kazakhstan's electric power industry is not yet ready for large-scale free trade of its products due to the undeveloped infrastructure of the industry and market.¹³

It can be ascertained that as a result of the reforms carried out, Kazakhstan's energy industry has overcome the crisis phenomena observed in the republic during the years of stagnation. Today, the generating capacities in Kazakhstan are capable of producing up to 80 billion kWh of electricity. The production, transmission, and distribution of electric power and capacities are carried out within the framework of the Joint Electricity System (JES), which includes power stations, electricity networks with general operating conditions, centralized operative-dispatcher and anti-emergency management, and others. Kazakhstan's JES serves as a link in Russia's, Central Asian and the CIS united energy systems.

The current electricity network of 500-1,150 kV makes it possible to carry out transit of capacities between the Urals and Siberia, as well as between the Central Asian states and Russia via Kazakhstan.

In 2006, 71.6 billion kWh of electricity were produced; 89.1% of which was generated at thermal power stations and 10.9% at hydropower stations. According to the 2007 results, electricity production increased by 6.7% (76.36 billion kWh) and consumption by 6.5% (76.42 billion kWh) compared to the previous year's index.

Thus, as a result of the market reforms, restructuring of the national sectors of the fuel and energy complex, and reform of the state's energy policy:

- (1) the steady trends toward an increase in production volumes in the oil-producing industry were strengthened;
- (2) the high level of export of energy resources was stabilized;
- (3) the transition to market relations in the oil and gas, coal, and electric power industries was largely completed;
- (4) elimination of the price disproportion of the internal and external export markets helped to integrate Kazakhstan's economy into the world economy.

The Problems of the Fuel and Energy Complex

At present, the republic's fuel and energy complex fully meets the current demands of the economy and population for electric and thermal power. Nevertheless, many problems of Kazakhstan's

¹² See: *Mezhdunarodny opyt reformirovaniia elektroenergetiki. Kazakhstan*, RAO UES Russia Press, Moscow, 2005.

¹³ See: I. Shulga, "Reformirovanie elektroenergetiki Kazakhstana," *EnergoRynok* (Russia), No. 7, 2004, available at [www.e-m.ru/archive/printer.asp?aid=4261].

fuel and energy complex have still not been resolved, which is making it difficult to carry out a targeted energy-efficient and energy-saving policy. The latter is a vital prerequisite for ensuring sustainable development of the country's energy industry and economy as a whole.

For example, there is essentially no production of large energy-machine-building products in the republic. Most of the current machine-building enterprises provide only technical servicing and repair of equipment of energy facilities, which have a high degree of wear-and-tear. The technical refurbishing of thermal power plant boilers and modernization of the existing energy-supply systems is required.

The significant wear-and-tear of production equipment and outmoded technology, the absence of comprehensive energy-saving systems, and the weak investment and financial mechanisms for stimulating energy-efficient production are the reasons for the high specific energy-output ratio in Kazakhstan's GDP, which is 2.5-4-fold higher than the indices in developed countries. Due to the republic's large territory, energy losses on lengthy power transmission lines reach 14%. There is no adequate system of control, accounting, and regulation of energy resource expenditure. Specialists believe that organizational and technical optimization of the energy-use system will save up to 10% of energy resources in Kazakhstan. In 2009, there are plans to adopt a new law on energy saving that envisages introducing fines for exceeding the energy-consumption limits, as well as measures for stimulating energy saving.

The Program for Developing Kazakhstan's Power Engineering Industry until 2030 plans to increase the share of electricity consumption in the social sphere by 25% with an insignificant drop in this index in industry by 2015. Recently, the trend toward an increase in production volumes in energy-intensive branches has been gaining momentum in practice. The enterprises of the oil and gas, coal, and metallurgical industries are investing funds to develop the electricity network infrastructure. In the near future, analysts are forecasting an abrupt rise in energy consumption in the republic's north due to the introduction of new production capacities of the heavy industry.

At present, average annual energy consumption growth amounts to 5-6% in Kazakhstan. Real prerequisites are developing for the emergence of an energy deficit in the country, the first signs of which were observed in 2006. The Kazakhstan government is taking effective measures to strengthen the national energy sector. In compliance with the Action Plan for Developing Kazakhstan's Energy Industry in 2007-2015 adopted in 2007, existing generating capacities will be modernized and new ones created totaling 8,100 MW, as well as facilities of the National Energy Network and regional electricity network companies. Investments in implementing the Plan will amount to no less than 21 billion dollars.¹⁴

Since coal will continue to play a leading role in the production of electric and thermal power in the republic, this augmentation in energy capacities will lead to a significant increase in development pressure on the environment and population. At the current stage, the efficiency of the domestic power industry depends on solving a set of tasks to diversify energy sources, obtain more competitive fuel, and make use of the latest "clean" practices in boiler technology.

Specialists are concerned about the adoption of decisions on the construction of a large thermal power station in Ekibastuz with export of 90% of the electricity manufactured to the PRC. The implementation of this project will have a serious impact on the environment of the northern region. It will demand the combustion of 25 million tons of domestic coal a year, whereby the emission of greenhouse gases and the ash and slag waste will constitute 40 and 10 million tons a year, respectively.¹⁵

¹⁴ See: *Sistemnye voprosy razvitiia elektroenergeticheskoi otrasli*, Report of the KEGOC Joint-Stock Company. Second KazEnergy Eurasian Energy Forum, Astana, 6 September, 2007.

¹⁵ See: E. Akhmetov, "Energetika RK: sostoianie i perspektivy," 11 December, 2006, available at [www.gazeta.kz/art.asp?aid=84485]

As a result, degradation of the soil cover over large areas and extreme gasification of the air are inevitable.

The Prospects for Renewable Energy

One of the promising areas in an efficacious environmental energy policy is the use of renewable energy sources (RES). The Program for Developing the Power Engineering Industry until 2030 envisages introducing RES technology into Kazakhstan's energy balance: the potential of small rivers, solar and wind energy, as well as biomass energy, which are essentially not tapped at present. But the planned introduction of small hydropower stations with a capacity of 1 GW and wind stations with a capacity of 2 GW into operation by 2024 is clearly insufficient for transferring to a sustainable power industry and will not compare in any way to the large-scale projects of the European countries in the field of renewable energy.

Kazakhstan has significant renewable energy resources: its hydro potential reaches 170 billion kWh/year (only 8 billion kWh/year are currently being used), its wind energy potential, which is technically available for use, is estimated at 3 billion kWh, and the total reserves of solar energy amount to 340 billion tons of oil equivalent. The drawing up of a new environmental energy policy based on the extensive introduction of RES into the production of thermal and electric energy will make it possible to solve the tasks of efficient energy supply and help to restore a favorable environmental situation in Kazakhstan.

Biomass is a very promising energy resource in Kazakhstan both for producing high-quality liquid and gaseous fuel and for manufacturing thermal energy. The republic possesses a large amount of land resources required for cultivating vegetable biomass. Enterprises producing bioethanol belong to the grain-product cluster being formed. In order to develop this production in Kazakhstan, a law must be adopted on the mandatory use of bioethanol as an additive to motor oils.

A development conception for the biofuel market for 2007-2010 has been drawn up in the country and a draft law has been prepared on biofuel which looks at questions relating to the production and consumption of this type of energy resource. Tough state regulation of this market, as well as benefits for the producers of biofuel, are envisaged. There are plans to build two plants for producing biofuel with state and private participation on parity conditions. The excise rate on ethanol fuel has been lowered by a government resolution and there are plans to reconsider the question of reducing the excise rate on gasoline with ethanol additive. During the Second KazEnergy Eurasian Energy Forum (2007), plans were announced to generate 1 billion liters of biofuel a year by 2010.¹⁶

The introduction of renewable energy technologies in Kazakhstan and an increase in the competitiveness of the products of this sector on the energy markets are being hindered by the high initial investment expenses and non-technical barriers associated with the lack of trust demonstrated by investors, the government, and consumers. The price of the thermal and electric energy produced in Kazakhstan does not reflect its actual cost, taking into account the detriment inflicted on society due to degradation of the environment caused by the use of traditional technology. On the other hand, the steady rise in prices for fuel energy resources and expenses to ensure the efficiency of electric power transmission and distribution systems is promoting an increase in the competitiveness of thermal and

¹⁶ See: A.K. Kurishbaev, *Perspektivy proizvodstva i primeneniia biotopliva v RK*, Report, Second KazEnergy Eurasian Energy Forum, Astana, 6 September, 2007.

electric power obtained from renewable sources. It is expected that energy production in Kazakhstan based on biomass, wind, and small hydropower stations will be competitive and efficient compared with other decentralized ways of energy supply.

A legal foundation, mechanisms for attracting investments, and state guarantees and benefits are needed to develop an alternative energy industry. Keeping in mind the plans to use Kazakhstan's hydro- and wind-power potential and the high capital-intensive nature of building certain renewable energy facilities, we will note the particular importance of state support—adoption of the Law on Renewable Energy Sources must be speeded up.

An increase in the competitiveness of renewable energy and a rise in its share in the country's energy balance are impossible without bringing RES onto the electricity market and ensuring access to electricity networks at reasonable prices. The creation of favorable financing conditions for integrating the renewable energy industry into Kazakhstan's fuel and energy complex will be justified by the environmental benefits. The task of incorporating renewable sources in the republic's energy balance has been included in the Action Plan for Developing Kazakhstan's Electric Power Industry in 2007-2015.

The Atomic Energy Industry

According to a recent official statement, the national energy structure will be optimized by putting emphasis on hydrocarbon resources and atomic energy.¹⁷ The country's subsurface holds 25% of the world's uranium reserves. Proven reserves amount to 1 million tons at a world consumption level of 50,000 tons a year. The geological specifications of Kazakhstan's uranium fields make it possible to use low-expense and efficient technology for extracting ores, which ensures the low net cost of the product and minimum environmental risks.

Since 1997, the annual increase in uranium production has remained at the level of 25% in Kazakhstan (in 2007, it was 25.7%). The National Kazatomprom Company is planning to raise the production volume of natural uranium to 15,000 tons a year in 2010. Enterprises are operating to produce and refine uranium ore, up-to-date techniques for producing atomic fuel have been developed, and all the products obtained are currently being exported. The Mangyshlak Atomic Energy Combine that operated in Soviet times is not in use at present.

Nevertheless, during the years of independence, objective prerequisites have been retained in the republic for developing the atomic energy industry. This primarily applies to the high resource potential: the reserves of uranium ore produced amount to 21,024 million tons of oil equivalent, or 46% in the overall structure of natural energy resources. The necessary legal base has been created: a Law on Use of the Atomic Energy Industry, Law on Radiation Safety of the Population, and Law on Export Control have been adopted; a procedure has been determined for licensing activity using atomic energy; a Convention on Nuclear Safety, Joint Convention on the Handling of Radioactive Materials and on the Handling of Processed Nuclear Fuel have been signed, and a Conception for the Development of Kazakhstan's Atomic Energy Industry (2007) has been drawn up.¹⁸

¹⁷ See: "Atomnaia energetika i promyshlennost'," 9 June, 2007, available at [www.interfax.kz/?lang=rus&actprint&int_id=atom_prom&news_id=170].

¹⁸ See: T. Zhantikin, *et al.*, *Kontsepsiia razvitiia atomnoi energetiki RK*, Report of the Atomic Energy Committee, KATEP Joint-Stock Company, National Nuclear Center of Kazakhstan, 2005.

In 2006, a decision was made to build a series of atomic power stations in the country's west, which became necessary due to the shortage of electric energy in this region of the republic and the infrastructure created in Soviet times there. The total capacity of the first atomic power station will amount to 870 MW, which will make it possible to produce a volume of electricity comparable to that generated at present by all the power stations of West Kazakhstan.¹⁹ Russian partners are taking part in implementing this project. According to official data, several more atomic power stations are to be built after 2015 in the west, north, and south of Kazakhstan.²⁰

The introduction of complex nuclear energy production technology, which is fraught with the risk of global environmental disasters, is accompanied by several serious problems. They include the burying of radioactive wastes, the absence in Kazakhstan of large sources of running water necessary for the operation of atomic power stations (apart from the Irtysh River which is already under high development pressure), the absence of precise data on the impact of atomic energy-producing reactors under normal working conditions on man and the environment, and others. The resolution of these problems will make it possible for Kazakhstan to fully implement its development plans for the national atomic energy industry.

C o n c l u s i o n

In 2007, the Conception for the Transition of the Republic of Kazakhstan to Sustainable Development in 2007-2014 was adopted by a Kazakhstan presidential decree. The creation of potential for ensuring the republic's sustainable development is associated with the introduction of "sustainable" technology into the national economy, including environmentally pure and economically efficient technology in the energy sphere.

Kazakhstan's fuel and energy sector is the main driving force behind the country's economic growth, as well as the largest source of serious environmental threats. Irreversible destruction of national natural ecosystems is occurring in all regions where facilities are located for extracting and producing energy resources: in the land-based and offshore hydrocarbon fields being developed, on major oil and gas pipeline routes, and at the sites of large hydropower stations and thermal and electric power-supplying enterprises.

In order to ensure the republic's sustainable development, environmental safety should become the fundamental factor in implementation of the national energy strategy. The existence of a powerful fuel and energy base and the positive experience of structural, technological, and legal reform of the fuel and energy complex acquired during the years of Kazakhstan's independence are two more significant factors of success.

¹⁹ See: S. Gribanova, "Zhiznennaia elektrosila strany," *Expert Kazakhstan*, No. 13, 2 April, 2007, available at [www.expert.ru/printissues/kazakhstan/2007/13/energetika_kazakhstana/print].

²⁰ See: A. Satkaliev, "Energetika—novye proekty i perspektivy otrasli," 1 August, 2007, available at [www.zakon.kz/our/news/print.asp?id=30114241].

EFFICIENT USE OF FUEL AND ENERGY RESOURCES IN GEORGIA'S ENERGY POLICY

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Urgency of the Problem

Energy saving is one of today's most urgent problems, and it is particularly acute in Georgia. The republic is not rich in energy resources, so in order to satisfy its economy's demand for them, a large amount of energy is imported. This includes the entire volume of natural gas consumed, most of the oil and petroleum products, and a large percentage of electricity. What is more, Georgia far from uses its energy resources rationally; in particular, there is frequently a noticeable lag in the country's energy efficiency indices behind similar parameters of developed countries.

During the years of Soviet power, an average of almost 900 million rubles in energy resources was expended in Georgia's material production per year. These expenditures were particularly high in industry—this sector accounted for 71% of all the expenditures in the material production sphere.

The expenditures of energy resources were high in the ferrous metallurgy, chemical, and petrochemical industries. Whereas an average of 15.7 kopeks per ruble of pure product was spent in industry, this index reached 16.2 kopeks in ferrous metallurgy and almost 18 kopeks in the building material sector.

These expenditures were relatively small in agriculture and construction, which shows the low level of energy supply in these industries.

Research has shown that at this stage of development, the value of Georgia's energy resources noticeably exceeded the role of labor productivity. In particular, each percent of fuel and energy resources saved in ferrous metallurgy was more significant (1.3-fold) than the percentage of increase in labor productivity. Estimates show that in 1988 an increase in labor productivity in this industry by 1% made it possible to obtain 815,000 rubles in pure product, while a drop in the energy-output ratio by 1% made it possible to save 1,069,000 rubles, or 31.2% more.¹ The importance of energy resource saving increased even more during Georgia's independence. This was promoted by the fact that the country's economy became dependent mainly on the import of energy resources. Consequently, whereas in 1988 the value of a drop in the product energy-output ratio was higher than the value of an increase in labor productivity by 31.2%, as early as 2000, this index amounted to 76.2%. This index increases even more if production is expanded. It has been proven that the value of fuel and energy resource saving as a source of the republic's economic growth increases as production expands and intensifies.

¹ See: D. Chomakhidze, *Georgia's Energy Security*, Tbilisi, 2003, p. 361 (in Georgian).

Energy resource saving makes it possible to reduce capital investments in raw material extraction and equipment manufacture for primary production, while the resources saved can be used to meet the social needs of the population.

It stands to reason that significant saving of fuel and energy resources, in the same way as their production, requires certain expenditures. So would it not be better to use the funds expended on ensuring fuel and energy resource saving to increase their production? This question does not have an affirmative answer.

- First, even if fuel and energy reserves were not limited, their increased reproduction is not justified from the economic viewpoint. Calculations have confirmed that in order to carry out large-scale energy-saving measures, 2-3-fold fewer investments are required than to produce fuel and energy resources in equivalent volumes.
- Second, practice shows that an increase in the production of fuel and energy resources aggravates the shortage of these and other resources to a certain extent. This is due to the fact that primary production is a capital- and labor-intensive industry, and its development requires large amounts of machinery, equipment, materials, and energy, as well as manpower. On the other hand, there is a rapidly growing need for these resources in the economic sphere, but meeting it only in an extensive way is not only inefficient, but also impossible.

At present, saving fuel and energy resource consumption in Georgia of 1% means saving approximately 25,000 tonnes of oil equivalent, including 80 million kWh of electricity, 15 mcm of natural gas, and so on. Most of the electric power consumed is expended in the municipal and household sector. In 2005, it amounted to almost 5 billion kWh, which is much more than the amount manufactured at Georgia's largest Inguri hydropower plant. A drop in electric energy consumption in this sector by 1% using the available reserves will make it possible to save almost 50 million kWh.

Level and Dynamics of Energy Efficiency Indices

Georgia is a major consumer of fuel and energy. At present, the country consumes an average of 2.5 million tonnes of oil equivalent a year. In recent years, consumption has risen even more. In 2006, approximately 8 billion kWh were expended, which is higher than the corresponding index for 2000. During this period, fuel consumption has increased, while in general the expenditure of fuel and energy resources for 2000-2006 rose by 34.9%.

In 2006, fuel accounted for about 74.7% of the total consumption of fuel and energy resources in Georgia, electric energy for 24%, and thermal energy for 1.3%.

Until the 1990s, the rational use of fuel and energy resources was solved by primary use of more economic types of energy, such as oil and gas, and the percentage of hydropower increased in electric energy production. As a result, over a span of 20 years (1961-1980), the percentage of oil production in the republic's fuel and energy resources increased from 0.4% to 20.8%, while the percentage of electric power manufactured at hydropower plants increased from 2.5% to 3.6%. Meanwhile, during this period, the percentage of natural gas in the structure of fuel consumption rose from 11.1% to 38.5%, and the percentage of coal dropped from 53.9% to 15.8%.

In 2006 the total consumption of fuel and energy resources in Georgia amounted to 2,499,000 tonnes of oil equivalent, which was 60.2% higher than the same index for 1995. The per capita consumption of fuel and energy resources is also growing: in 1995, it was equal to 0.32 tons, in 2002 to 0.42 tons, and in 2006 to 0.56 tons, that is, 75% higher than in 1995. As for the energy-output ratio of the gross

domestic product (GDP), during the period under review, it was characterized by a downward trend. In 2000, 2,566 kWh of energy was expended on the “production” of every thousand dollars of the GDP, which was 2.4-fold more than the index for 2006. A similar trend has also been developing in industry. In particular, the energy-output ratio of industrial production for the same period dropped by 36.5%.

This is the result of those measures implemented in the country in recent years. It should be noted in particular that in a market economy the consumer uses fuel and energy resources more rationally and looks for new ways to economize on them. In addition, energy accounting and other things improved. A Center of Energy Efficiency has also long been functioning in the republic, and various energy projects are being carried out with the help of USAID. In order to study the potential of energy efficiency and the use of renewable energy sources, a Winrock International project is being drawn up, along with the World Experience for Georgia Foundation, called Development of the Energy Industry in the Village, among other things.

Within the framework of this project, there are plans to rehabilitate four small hydropower stations. They can produce 17.3 million kWh a year and meet the energy demands of 4,000 rural families. The largest of these hydropower plants, Kabali, went into operation in October 2007. Projects are also being implemented to raise energy efficiency. In particular, a biogas installation is being built in the village of Sadmeli (mountainous Racha Region) for heating the school, kindergarten, hospital, and territorial authority building, as a result of which farmers will be able to acquire gas and fertilizers for their farms.

One of the measures designed to raise energy efficiency is replacing incandescent lamps with more efficient fluorescent ones, which consume 4-fold less electricity. This will allow the country to save 350 GWh of electric power. Whereby it should be kept in mind that implementing this measure will lower the demand for electricity in the winter, which is the most difficult time for Georgia in energy terms. Calculations have shown that this will make it possible to save approximately 310 GWh of the electricity produced at thermal power stations per year, which in turn will decrease the import of natural gas by 100 mcm.²

The level and dynamics of the product energy-output ratio in Georgia for 2000-2006 are presented in Table 1, from which it follows that the product energy-output ratio and electric capacity are decreasing every year (only 2002 was an exception in this respect). Despite the fact that the republic is experiencing a shortage of fuel and energy resources, this year the energy-output ratio of the GDP increased by 0.7%, and the industrial product electric capacity by 0.9%. In both cases, the growth rate of fuel and energy resource consumption was higher than product production, which caused an increase in the energy-output ratio and electric capacity.

Electricity losses in Georgia’s power transmission lines have always been high—some years they amounted to 20-30%. This index sharply dropped recently due to the implementation of the necessary measures. In 2002, losses amounted to 15.7%, while by 2006 they had decreased to 2.8%. The situation began to change after 2003. At that time, a foreign company (Ireland’s ESBI) began to participate in power transmission in Georgia. In 2006, the exclusion of a large part of power transmission lines with a voltage of 110-35 kV and substations transferred to the Joint Distributor Joint-Stock Energy Company from the authorized capital of State Electricity System of Georgia, Ltd. at the end of 2005 led to a sharp drop in electricity loss (from 6.3% to 2.8%).

Georgia’s thermal power stations are characterized by low technical and economic indices. They expend much more fuel to produce 1 kWh of electricity than in the developed countries of the world. In the past, the specific expenditure of fuel on the production of 1 kWh of electricity was equal to

² See: USAID WINROCK INTERNATIONAL. Quarterly Information Bulletin. Fall 2007.

Table 1

**Level and Dynamics of Georgia's Energy Efficiency Indices
in 2000-2006³**

Indices	Unit of Measurement	Years							2006 % of 2000
		2000	2001	2002	2003	2004	2005	2006	
Energy-output ratio of the country's GDP	kg of oil equivalent / \$1,000	605.7	602.5	606.6	576.2	471.9	380.6	334.8	55.3
including: electric capacity	kWh/ \$1,000	2,566.3	2,265.7	2,274.6	1,978.0	1,544.8	1,305.0	1,055.7	41.1
industrial production energy-output ratio	kWh/ \$1,000	434.8	472.6	474.2	424.8	368.0	289.6	242.5	55.8
including: electric capacity	kWh/ \$1,000	1,474.3	1,836.6	1,853.0	1,562.0	1,257.3	1,003.0	936.8	63.5
electricity losses in power transmission lines	million kWh	828.1	1,063.0	1,216.0	1,150.0	500.0	530.0	221.9	3.7-fold
in % of consumption	%	10.6	14.9	15.7	14.6	6.3	6.3	2.8	-7.8

400-500 g, and some years it was as high as 1 kg. The situation has slightly improved recently in this respect, but it cannot be said to be satisfactory (see Table 2).

At present, Georgia's power stations (Mtkvari-energetika, Ltd., TbilGRES Joint-Stock Company, and Energy-investi Joint-Stock Company) are experiencing significant problems.

Mtkvari-energetika, Ltd. and TbilGRES Joint-Stock Company are equipped with old energy units. They were manufactured when symbolic prices for primary energy resources were in effect and are characterized by low efficiency indices. The situation is also aggravated by the fact that market prices for primary energy resources rose almost seven-fold, and this makes it dubious that these energy units are capable of functioning at all. But it must be taken into account that under present-day conditions it is impossible to satisfy the peak demand for electric and thermal power in the fall-winter period without thermal power stations.

³ The table was compiled on the basis of the data of the Department of Statistics of the Georgian Ministry of Economic Development.

Table 2

**Specific Expenditure of Fuel on the Production of
Electricity at Georgia's Thermal Power Stations⁴
(grams/kWh)**

Years	TbilGRES Joint-Stock Company	Mtkvari-energetika, Ltd.	Energy-investi Joint-Stock Company
2001	286.6	229.4	—
2002	304.3	219.7	—
2003	322.0	229.4	—
2004	346.2	231.8	—
2005	284.2	216.5	—
2006	256.8	233.5	248.7

The shortage of primary energy and the seasonal nature of Georgia's power-generating rivers require that thermal power stations operate under seasonal conditions. For this reason, the three thermal power stations with a capacity of 620 MW produced only 2 billion kWh of electricity in 2006. And this shows the low level of use of the capacities of the mentioned thermal power stations—during the year they were in operation for a total of 3,200 hours. This is a low index for such stations (the standard time is 6,000-6,500 hours).

It stands to reason that the operation of thermal power stations under such conditions significantly lowers energy efficiency. In the final analysis, all measures that envisage high energy efficiency are related to a decrease in specific fuel expenditure on the production of electric and thermal energy. According to experts' estimates, 70-80 million lari (40-45 million dollars) for natural gas can be saved a year by raising the energy efficiency at Georgia's thermal power plants. And this, in addition to the economic benefits, will help to improve the environmental situation.

Unfortunately, not only old energy units, but also new generation gas-turbine installations (Energy-investi Joint-Stock Company) require raising energy efficiency. A gas-turbine installation was put into operation in March 2006. It was set up in an area with insufficient potential to realize the advantage of this type of station. Nor was a unit built for utilizing the products of high-temperature combustion, which could additionally raise the capacity by 40 MW.

So the level of energy efficiency of the gas-turbine unit is rather low and specific fuel expenditure electricity production here is almost 7-fold higher than at the ninth energy unit of Mtkvari-energetika, Ltd. This significantly raises the price of electricity produced at this facility.

Consequently, not one of Georgia's thermal power stations meets the standards of specific fuel expenditure on electricity production.

In addition, at enterprises of material production—industry, construction, agriculture, and transportation—the specific expenditures of fuel and energy resources are still high, there are great fuel and energy losses, secondary resources and non-traditional types of energy are not fully used, energy-saving technology is being slowly introduced, and so on.

⁴ The table was compiled on the basis of data of the indicated thermal power stations.

The Main Ways to Raise Energy Efficiency

Raising energy efficiency is a fundamental part of the strategic development of Georgia's energy industry. From the viewpoint of efficient energy use, the Main Vectors of State Policy in Georgia's Energy Sector envisage "the formation and improvement of legislative and institutional acts, as well as the implementation of the necessary measures to improve the use of renewable types of energy, as well as of thermal supply facilities and co-generating systems."⁵

The fact that according to U.N. data in recent years the beneficial use of the fuel produced amounts to 20% in the world while the other 80% is lost in the production, enrichment, and transportation of energy resources, as well as during the transformation and use of energy, indicates man's great potential for resolving this problem.

Energy efficiency can be raised by reducing losses using resource-saving technology and high labor organization, which in turn can be ensured both during the production of energy resources and during their transportation and consumption. Due to the limited resources, it stands to reason that society will not be able to manage without economizing. Raising energy efficiency will ensure reliable long-term prospects both for the energy industry and for the country's economy as a whole. The orientation toward energy-saving technology means not only raising the competitiveness of the economy, but also requires significant potential in meeting the republic's need for energy resources. So raising energy efficiency will continue to be one of the priority tasks of the country's energy strategy for a long time to come.

During the transition period, Georgia will not be able to carry out new important and large-scale building programs. At this time, the restoration of existing facilities, the technical refurbishing of the basic funds, and the efficient use of fuel and energy resources should be the priority areas. It is clear that in a market economy Georgia should not allow itself to make irrational use of energy resources. The need to save energy resources is increasing over time; a widespread complex of saving measures must be drawn up and put into practice.

In the mid-1970s, mankind began to intensively incorporate "easily accessible" energy resources, mainly of organic origin, into economic circulation. As research has shown, world oil supplies will be exhausted in about 50 years, natural gas in 60 years, and coal in 200-400 years.⁶

It stands to reason that ensuring the rational use of fuel and energy resources has its own specifics both in quantitative and qualitative terms in every country. In Georgia, the key vectors in energy saving are the following: acceleration of scientific and technological progress in the production and consumption of energy resources; improving the sectoral, technological, and territorial structures of the economy; increasing the use of non-traditional types of energy (sun, wind, thermal waters, biomass, secondary energy resources, and so on) and the energy of small rivers; and improving the economic mechanism of energy saving.

In Georgia, as in all the former socialistic republics, energy efficiency is still low. But, as was mentioned above, trends have been developing in recent years in the country toward a drop in the energy-output ratio and electric capacity, as well as toward an improvement in several other indices of energy efficiency. These trends will continue as new forms of ownership in production relations and the privatization of state facilities are introduced.

⁵ *Resolution of the Georgian Parliament on the Main Vectors of State Policy in Georgia's Energy Sector*, Tbilisi, 7 June, 2006 (in Georgian).

⁶ See: A.P. Fedotov, *Globalistika: Nachala nauki o sovremennom mire*, Moscow, 2002, p. 140.

It was established that industry accounts for 70% of the total amount of fuel and energy saved in the republic, transportation for 15-18%, and the municipal sector for 10-14%.

The following should be singled out from among the main vectors of energy saving in Georgia:

- replacing existing production equipment with up-to-date economic machinery and mechanisms;
- introducing progressive technology;
- developing and introducing optimal conditions for the use of power-generating technological equipment;
- raising the technical level of operation of boiler and furnace equipment;
- lowering the loss of fuel and thermal and electric power during transportation;
- improving the system of fuel and energy accounting in production and consumption;
- introducing the secondary use of energy resources and thermal residues of industrial enterprises;
- using natural sources of heat (thermal waters, solar energy, heat from the environment, sea water, and others);
- developing and introducing progressive projects for building housing and public facilities.

Further improvement of the structure of the heat and energy balance should also be included among the important measures aimed at the rational use of fuel and energy resources in order to identify types of deficit fuel and replace them with more accessible resources.

At present, some of the basic funds used in Georgia's energy industry are already outmoded and characterized by low technical-economic indices. Their efficiency factor can be increased by 5-6%, which is equivalent to 0.35 GWh a year. Moreover, idle periods in the operation of units lead to water losses (particularly in the derivation system), which on average amounts to 0.4 GWh in electricity loss a year.

Even higher electricity losses of 0.43 GWh a year occur at regulating hydropower plants, which is due to disruptions of the water "development" conditions. A total of 1.18 GWh of electricity a year is lost at hydropower plants (approximately 17% of production).

There is great potential for energy saving in the transportation, delivery, and distribution of natural gas. For example, the losses in gas pipelines, etc. are enormous. In order to intensify energy supply in this sphere, it is necessary to:⁷

- improve the regulations of energy accounting and control over its consumption;
- establish standards of energy use and the maximum values of energy loss; ensure mandatory certification of mass use energy-consuming instruments and equipment and bring them into harmony with the standard energy expenditures;
- carry out regular audits of enterprises;
- introduce additional economic stimulation of energy saving and encourage its introduction into business;
- ensure ubiquitous state propaganda of the importance of energy saving, mass training of personal, openness of the results obtained, and availability of information on energy-saving measures, technology, equipment, and regulatory-technical documents;

⁷ See: *Georgia's Energy Strategy* (group of authors), Tbilisi, 2004, p. 133 (in Georgian, Russian, and English).

- assist goal-oriented business in the energy-saving sphere aimed at developing optimal scientific, engineering-design, and production decisions that will be used to decrease the energy-output ratio.

Additional tools for stimulating energy saving include the mechanisms envisaged in the Kyoto Protocol, including joint projects.

Measures aimed at saving and efficiently using energy should become a mandatory component of regional and municipal programs.

Within the framework of the latter, it is expedient to institute the acquisition of honorable title of Power-Generating City. This title can be acquired by a city that carries out an energy policy oriented toward the use of alternative energy technology. This Swiss idea has already become an international asset.⁸

Implementation of the designated measures will help to raise the reliability of the country's energy supply, improve the population's standard of living, and resolve environmental problems.

⁸ See: "Ekonomiia energii," in: *Informatsionnyi referativnyi sbornik Vserossiiskogo instituta nauchnoi i tekhnicheskoi informatsii* (VINITI, Moscow), No. 8, 2004, p. 3.

RELIGION IN SOCIETY

**A EURASIAN ISLAM?
(A vision on the position and
evolution of Islam and Islamism
in former Soviet Central Asia and
the Caspian)**

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Scenarios of “balkanization,” “talibanization” and “revolutionary contamination from Iran” of the southern Soviet rim were popular in the early 1990s. These concerns were understandable since they came at times when the world was simultaneously confronted with nationalist wars in the Balkans, the appearance of several newly independent states with Muslim majorities in the former Soviet space and the outbreak of a number of armed conflicts in this

part of the world (Tajikistan, Nagorno-Karabakh), the first Gulf war as well as Islamist movements turning seriously wrong in Afghanistan and Algeria. Reality turned out to be more complex. The purpose of this article is to tackle a number of conventional truths about Islam in the region and to point out certain sociological factors which, in my opinion, will determine the evolution of Islam and Islamism in former Soviet Central Asia and the Caspian.

**A “Disconnected” Part of
the Ummah ... Or Not?**

In this analysis, I define the region as a space with six states that emerged from the U.S.S.R. and where the majority of the population is, at least nominally or traditionally, of the Islamic faith: Ka-

zakhstan, Uzbekistan, Kyrgyzstan, Tajikistan, Turkmenistan and, on the other side of the Caspian, Azerbaijan. In average, in 2004, 80 percent of the population in this region was or is at least considered to be Muslim.¹ The large majority of the 52.3 million Muslims in the region, historically known as Turkistan, are of Hanafi Sunni tradition.² Certain micro-regions and communities are of Chafii Sunni tradition (in some parts of Tajikistan and Azerbaijan notably) while there are Twelver Shi'ites (a two-thirds majority in Azerbaijan, a substantial minority in Uzbekistan) as well as Ismaili Shi'ites (in the eastern part of Tajikistan).³

The earlier use of the expression "nominally or traditionally of the Islamic faith" is not at random. This is a part of the Islamic world where the position and practice of Islam developed along different lines than those in "classical" Islamic countries. So what are the main characteristics of Islam in this space?

- First, for several decades, the region was cut off from the Islamic world, the main currents there as well as its intellectual centers by means of a geopolitical and administrative frontier. This, as well as the anti-religious policies and Russification attempts that were part of Soviet Communism, resulted in a rather rudimentary religious conscience and a very local and tribal practice of the Islamic faith. The fact that if not clear majorities then at least substantial portions of the region's inhabitants identify themselves as Muslims is not matched by a strong practice or observation of the main precepts of Islam nor by the presence of a significant faith-based civil society. Depending on the source and the community examined, an average of 20 percent of the former Soviet Muslims practice their religion regularly in one or another way.⁴ Since secularization is not a one-way process, the limited level of religious practice and observance does not exclude that parts of the non-observant majority will become religiously more active in one way or another in the future.⁵
- Second, the region which is examined here is the theater of the most recent wave of decolonization since the U.S.S.R. was structurally a form of Russian colonial empire or, at least, the continuation of a colonial system whose foundations were laid by imperial Russia. In

¹ This is an average calculated on figures ranging from 47 percent of Muslims in Kazakhstan to 93,4 percent in Azerbaijan.

² Turkistan ("land of the Turks" in Farsi) and Mawara'un Nahr ("land between the rivers" in Arabic) are two historical names for Central Asia. Nowadays, the whole region is situated in the periphery of the Islamic world yet it was not always so. The Persian Samanid Emirate, for example, used to be a major cultural and economic center in the tenth century, just like the Turkic Ghaznavid Sultanate between 975 and 1187. On the other bank of the Caspian, Derbent, which is situated north of Azerbaijan, also used to be a regional religious center between the eighth and tenth centuries.

³ The former Soviet Ummah is not limited to the 52.3 million Muslims in Central Asia and the Caspian but also includes about 16 million people of Muslim background in Russia (the Northern Caucasus, Moscow and other urban centers and the Volga-Ural region). The number of Muslims in Russia differs according to the source and census criteria and varies from 9 to 20 million (see: J. Radvani, "Neskolko otvetov na nepostavlennii vopros: islam i perepis naseleniia 2002 goda v Rossii," *Kazanskii Federalist*, KIF-IFEAC, No. 1 (13), Winter 2005, pp. 82-90). Islam and the Muslim communities in Russia are also in a flux, for part of the Muslims are assimilated into mainstream Russian culture. Moreover, Islam in Russia is no longer a matter among the country's traditionally Muslim ethnic groups (Tatars, Bashkirs and North Caucasians in particular) but also of the hundreds of thousands of migrant workers from Central Asia and the Caspian.

⁴ According to previous research, this ranges from 8 to 10 percent in Kazakhstan to 34 percent in Uzbekistan. For more data on the religious practice among former Soviet Muslims see: S. Kushkumbaev, "Islam v Kazakhstane i etnicheskaia identichnost," *Kazanskii Federalist*, KIF-IFEAC, No. 1 (13), Winter 2005, p. 99 for Muslims in Kazakhstan; T. Dadabaev, "How does Transition Work in Central Asia? Coping with Ideological, Economic and Value System Changes in Central Asia," *Central Asian Survey*, No. 26 (3), September 2007, p. 414 for Uzbekistan; T. Faradov, "Religiosity and Civic Culture in Post-Soviet Azerbaijan: A Sociological Perspective," in: A.B. Sajoo, *Civil Society in the Muslim World: Contemporary Perspectives*, Institute for Ismaili Studies and IB Tauris, London, 2002, pp. 194-214 for Azerbaijan; and J. Radvani, op. cit. (cf. note 3), p. 89, for data on the Tatars in Russia.

⁵ For a discussion of some characteristics of the "ex-Soviet Ummah," see: G. Yemelianova, "The Rise of Islam in Muslim Eurasia: Internal Determinants and Potential Consequences," *China and Eurasia Forum Quarterly*, Vol. 5, No. 2, 2007, pp. 75-76 as well as M. Laruelle, S. Peyrouse, "Globalnie protsessy transformatsii identichnosti i religioznosti: postsovietskii islam," *Kazanskii Federalist*, KIF-IFEAC, No. 1 (13), Winter 2005, pp. 7-27.

the region's post-colonial reality we have, on the one hand, a number of secular power elites who mostly come from the Soviet compradore class and who are naturally uneasy with religion and Islam in particular. On the other hand, there are a population and certain socially mobile groups who are confronted with stark social changes since the demise of the U.S.S.R. To varying extents and in different ways, they see Islam as a source of identity and social cohesion.

Between the two is a field of tension in which the secular power elites try to varying extents and in different ways to recuperate certain aspects and interpretations of Islam for their national ideologies.⁶ The argument that the secular regimes in the region at least prevent the mixture of religion and politics is of limited validity, for they are the first to mix both themselves with, first, governmental Islam and, second, the use of the "Islamist threat" for purposes of legitimacy.⁷ In fact, the presence of a real and perceived Islamist threat is convenient for some of the region's regimes as well as for the great powers who vie for influence in the region (Russia, China and the Anglo-American axis), to respectively justify repression of all opposition and the expansion of political-military presence in the region.⁸

Expression of Social Mobility?

Since the end of the U.S.S.R. and the opening of its southern frontier with the "classical" Islamic world, a renewed interest for Islam in Central Asia and the Caspian went through several phases and turns, fed by internal as well as global factors. A relatively strong and visible (or at least well-mediated) surge of interest for Islam among people during the perestroika years in the late 1980s and just after independence in the early 1990s lost momentum after that until into the second half of the 1990s. Causes include the natural wane of curiosity and enthusiasm among people, state repression (in Uzbekistan, for example), as well as the psychological impact of armed conflicts associated with radical Islamism in Tajikistan, Chechnia and Afghanistan.

Since then, however, there is renewed and increasing interest for Islam among former Soviet Muslims be it more systematically, less stark and much of it more in the shadows than before. Despite relatively low levels of religious observation, personal conversations as well as research

⁶ Despite the official atheism and the anti-religious campaigns in the U.S.S.R., religion including Islam was co-opted by the state in the 1940s in the form of so-called Spiritual Directorates. These were founded to coopt potentially restive Soviet Muslims and for internal as well as international propaganda purposes (see: O. Roy, *La nouvelle Asie centrale ou la fabrication des nations*, Seuil, Paris, 1997, pp. 96-97). Most states in the region have taken over the Soviet system of "governmental Islam" in the form of a *muftiate* or a religious affairs bureau in order to keep maximum control over Islam and the clergy. In certain cases, a "tamed," politically correct Islam and state clergy have become outright channels for the regime's ideology (Uzbekistan, to a lesser extent Tajikistan) or for the personal glorification and even outright canonization of the president (Turkmenistan under Saparmurad Niyazov). Note that "governmental Islam" is not a Soviet invention but was a concept inspired by republican Turkey.

⁷ An example of the use of Islam to legitimate a secular power elite were billboards with quotes from the Tajik president Emomali Rakhmon that I saw right near the entrance of the mausoleum of Zain-ul-Abdin in Jilikul when I was there in late 2006.

⁸ The regular appearance of the transnational Hizb-ut-Tahrir movement, which is said to be present everywhere in the region except Turkmenistan but of which no one knows the real strength and capacity, is one example of such instrumentalization. Other examples include: the shady role of the Russian expeditionary Border Guards in Tajikistan during the incursions of guerrilla fighters of the Islamic Movement of Uzbekistan in Batken and Uzbekistan in 1999 and 2000; several blasts and violent incidents in Kyrgyzstan and Tajikistan between 2002 and 2007 which were never claimed or elucidated and showed to be of nonpolitical criminal nature, yet quickly attributed to "Islamic radicals" and in many cases followed-up by official restrictive measures against Islam.

results show that solid majorities among the former Soviet Muslims considers themselves to believe and attach different levels of importance to religion in the social field. Let us take a look at a number of attitudes toward religion (Islam in this case) in Uzbekistan and Azerbaijan as compared to Turkey.⁹

	Uzbekistan	Azerbaijan	Turkey
Religion is very important at the individual and social level (strong believers)	35	6,4	65
Religion is rather or somewhat important at the individual and social level (believers)	46	62.7	23
Religion is a private-individual affair and must stay separate from government and politics*	55	91	73
Islam should play a larger role in political and social life**	44.5	—	42
Religion is a necessary condition for morality and social responsibility	74	60.3	84
* Data for December 2002.			
** Data for May 2004.			

Even if the above compiled data are indicative, it is interesting to see how the large majority of respondents in both former Soviet republics studies considers themselves to be either strong believers who attach much importance to religion (a small group in Azerbaijan, a substantial group in Uzbekistan) or believers attaching a certain importance to religion (about two-thirds in Azerbaijan, nearly half in Uzbekistan). In the coming years, certain segments within the latter category, which is basically a grey zone in motion, will, depending on local and global circumstances, likely increase or decrease their religious activity and identification. This creates a space for several developments and dynamics within Islam in the region also since strong majorities in both former Soviet republics consider religion to be a necessary condition for morality and social responsibility.

In my opinion, some analysts and opinion leaders misperceived a couple of factors when they assessed the position and the developments of Islam in Central Asia and the Caspian. In a way, this reflects the tense and emotional global climate during the early 1990s and immediately after 2001. Yet they continue to influence the perception of Islam in this part of the world up to this day at several levels. A first misperception is to think that a renewed interest for Islam among certain segments of

⁹ For Uzbekistan and Turkey, see: The Pew Global Attitudes Project, Views of a Changing World. How Global Publics View the War in Iraq, Democracy, Islam and Governance, and Globalization, and Project No. 44 Final Topline Results, The Pew Research Center, June 2003, available at [www.people-press.org], pp. 39 and 115. From the same project, Among Wealthy Nations, the *US Stands Alone in its Embrace of Religion*, The Pew Research Center, Washington DC, December 2002, available at [www.people-press.org] and Global Gender Gaps, May 2004, The Pew Research Center, available at [www.pewglobal.org]. For Azerbaijan, see: T. Faradov, op. cit. (cf. note 4), pp. 194-214.

society is equal to “Islamic radicalization” or an “extremist-fundamentalist wave.” It is not or, at least, not necessarily. If a Muslim becomes more observant and finds an identity and a certain dignity in Islam, it does not mean that this individual wants to live in a Sharia state led by a religious class like Saudi Arabia, Iran or Afghanistan under the Taliban.¹⁰ In fact, the chance that one or more Central Asian and Caspian countries become an Islamic state of some sort or that their populations even become receptive for it are marginal at best. It is important to make that distinction, especially since in some of the region’s countries, “extremism” has become a stigma to repress every thought or movement (even secular) that is not submissive to the incumbent power elite.

A second misperception is to think that the interest for religion is by definition the result of poverty and of the economic situation in much of the region. Although these do play a role, they cannot be an all-round explanation. Communities who live in high to extreme poverty do not think about questions of identity and social cohesion but about primal survival. The interest for religion among certain communities and segments of society is not so much a matter of poverty nor an expression of a wish to return to the pre-colonial era, but a reaction to social change and mobility caused by the unraveling and demise of Soviet society.¹¹ More specifically, the latter pushed communities and individuals to economically adjust in the face of change of profession and social status, rural-urban migration, seasonal labor migration to Russia, border trade and so on.¹²

These social and economic changes as well as the impact of modern media and communication (especially the wide availability of parabolic antennas and DVD players, for example) and, in some parts of the region, the lingering impact of armed conflict during the 1990s all led to a certain erosion of Soviet as well as traditional ethnic identities in the region. Even if ethnic and micro-regional identities continue to be important among the population, their relevance will certainly decrease among certain socially mobile groups in the future. This will leave a void that will have to be filled by new forms of identity, of which different forms of Islam will certainly be part. In this sense, Islam in Central Asia is no longer a matter of conservative provincials in Namangan in Uzbekistan or in the valleys around Garm in Tajikistan, both traditionally considered to be centers of Islam and Islamic activity in the region.

There are also signs of a fledgling process of change in the situation where Islam is predominantly seen as merely a component of one’s ethnic and micro-regional identity—i.e. one is a Muslim because one is Uzbek, Kyrgyz, Tatar or Uighur—rather than as an identity framework by itself. A recent research on Islam and ethnicity in Kyrgyzstan, for example, pointed out that even if a large majority of the respondents identify themselves in function of their ethnicity first and then only in function of faith, one quarter identified themselves as Muslims first. The bulk of respondents in this category are of the 25-35 age group and entrepreneurs or people with a nonreligious education. Likewise, a study published in *Central Asian Survey* in late 2007 suggests the existence of a similar phenomenon in Uzbekistan where one-fifth of the respondents see themselves first as Muslims and only then as members of an ethnic group.¹³ In Azerbaijan, there is a certain rise in interest for different

¹⁰ In mid-2006, an ethnic Kyrgyz policeman from the area of Tokmaq, where there is a Dungan community, told me: “Our Dungan neighbors are more Muslim than we Kyrgyz. Look what happens. They drink less, work better and we have less problems with narcotics with their youth than with ours. That’s why they live better than us.”

¹¹ For theoretic approaches in this regard, see, amongst others: O. Roy, *L’Islam mondialisé*, Seuil, Paris, 2002, pp. 68-71; P. Beyer, *Religion and Globalization*, Sage Publications, London, 1994, pp. 71-73.

¹² At the individual level, increasing horizontal mobility certainly influences the perception of Islam and its place in society. A Tajik Muslim and labor migrant from Kofarnigan told me, for example, that it was much easier for him to find diverse literature about Islam in Kazan, the Russian city where he works part of the year, than in Tajikistan itself. Likewise, others who travel outside of the former Soviet space see, for instance, that Islam in Turkey is something totally different than what happens in Afghanistan and conclude that Islam and modernity can coexist despite of what the conventional wisdoms and propaganda in their country of origin say.

¹³ E. Usubaliev, *Etmicheskaia kharakteristika i osobennosti identifikatsii musulman Kyrgyzstana*, ISAP, Bishkek, available at [tazar.kg], 9 February, 2008, pp. 4-5; T. Dadabaev, *op. cit.* (cf. note 4), pp. 413-415.

forms of “alternative Islam” among certain groups of youth with a higher education who often come from nonreligious families.¹⁴

Another factor that has certainly created a space for religion is the failure of secular, “imported” ideologies like Soviet Communism and nationalism, as well as the discredit of what is seen as Western liberal democracy in the region.¹⁵ It should not be underestimated that many at the grassroots level strongly associate the latter with impoverishment and the disintegration of the social tissue during the 1990s; with crime and corruption; with the dislocation of the economy following the neoliberal remedies imposed by the international financial institutions; with a civil society that does not represent society at all but is merely a subcontractor for Western donors; and with the hypocrisy of dealing with authoritarian regimes for economic interests despite the democracy and human rights discourse.¹⁶

A New “Zone of Islam”?

Confronted with a late decolonization, social mobility as well as with different influences that are as contradictory as they are controversial due to the geopolitical position of Central Asia and the Caspian, the question of identity remains acute. Certain socially mobile categories of people—small and medium entrepreneurs or certain parts of the labour migrants for example—look or will search for ways to affirm themselves. One of the ways to do this is or will be through one or another form of religious identification. It is that which explains the Islamophobia of certain secular elites in the region: that Islam becomes a binding agent for socially mobile groups and individuals who will sooner or later try to obtain a place and share in society and, as such, challenge the incumbent elites.¹⁷

In everyday reality, the vast majority of the region’s population wants a decent life and a minimum of social security and social justice for themselves and their families. Yet, as Samuel Huntington says, acting in function of that self-interest supposes that one knows that self and, hence, supposes an identity. If we analyze the present-day identities in former Soviet Central Asia and the Caspian, one distinguishes two key elements. First, a continuing Russian influence due to the Soviet-colonial experience, continuing economic ties not only in the energy sector but also in the field of labor migration, and the status of Russian as the regional lingua franca and major media language. Second, despite the fact that former

¹⁴ International Crisis Group, *Azerbaijan: Independent Islam and the State*, ICG Europe Report No. 191, 25 March, 2008, pp. 2, 10; B. Bakir, L. Fuller, “Azerbaijan: ‘Alternative Islam’ Takes Several Forms,” *Eurasianet*, available at [eurasianet.org], 16 August, 2007.

¹⁵ Attempts by several of the region’s governments to create national ideologies or identities around certain myths—the cult of Timur in Uzbekistan and Manas in Kyrgyzstan, the Rukhnama in Turkmenistan and the pre-Islamic Persian-Aryan civilization in Tajikistan—and a folkloristic practice of what is presented as “national traditions” are, in my opinion, set to fail. The reason is that they are artificial, neo-Soviet (a cult of “national heroes” that is a carbon copy of the Lenin cult) and very *top down* concepts that are to minimize the role of Islam in people’s identities, but that touch little wood in society at large. Islam, by contrast, is historically present in the region even if it is in a flux and if observance is limited. It is also a part of a wider global cultural sphere in full motion.

¹⁶ The relevance of the discredit of “Western democracy” in the Islamic renewal process is also pointed out by Igor Rotar (“Zigzag postsovetskogo islamizma. Musulmanskii renessans v stranakh SNG prinimaet protivorechivye formy,” *Nezavisimaya gazeta*, 5 March, 2008). Ironically, several presidential parties in countries with authoritarian regimes bear the term “democracy” in their names (Turkmenistan, Uzbekistan, Tajikistan).

¹⁷ Some doubt this by pointing to the emergence of a politically indifferent and passive middle class in countries like Kazakhstan or Azerbaijan (e.g. R. Weitz, “Kazakhstan: The Emerging Middle Class Thinks Money, not Democracy,” *Eurasianet*, available at [eurasianet.org], 11 March, 2008). I have two remarks in that respect. First, what some analysts and observers consider to be the middle class are people whose material and outward lifestyle indeed much resembles that of the American and European middle classes, but who are sociologically not a middle class (see also: A. Rasizade, “Azerbaijan Descending into the Third World after a Decade of Independence,” *Journal of Third World Studies*, No. 21 (1), Spring 2004, pp. 191-219 in this regard). Rather, they are part of the bureaucratic-economic elite and its entourage. Second, this is not to deny the appearance of proto-middle classes, primarily in the capitals and certain economic centers like Almaty, who are, at present, primarily focused on material and financial gain. Nevertheless, this does not mean that they will stay politically passive in the future.

Soviet Central Asia and the Caspian were long situated in the periphery of the Islamic world and were cut off from the latter in the U.S.S.R., much of the cultural heritage is undeniably marked by Islam. These two elements seem contradictory and incompatible but are not necessarily so.

When we speak about Islam in a Russian-dominated Eurasia, is there something like a “Eurasian Islam”? The idea of such a concept came up after reading an article by Hakan Yavuz which was published in the *Journal of Muslim Minority Affairs* in 2004.¹⁸ The article’s main thesis is that even if the origins of the Islamic religion are Arabic, even if the centers of Islam are situated in the Arab world and even if Arabic is the liturgical lingua franca of Islam, due to different social geographies, patterns of colonization and the influence of pre-Islamic religions, there are different “zones of Islam” within the Islamic world which can and do overlap and interact but do have distinct features. The author distinguishes seven such zones: the Arab core; the Turkish zone; the Iranian-Shi’ite zone; Subcontinental Indian; Malay-Indonesian; the non-Arab African zone; and finally the Muslim immigrant communities in the West and more specifically in Europe among whom could emerge a “Euro-Islam.”

Could we add an eighth zone to those: that of Eurasian Islam among the former Soviet Muslims? And if so, what are or could be its characteristics? Personally I distinguish three characteristics. First, it is or will be a Russian-speaking Islam if not officially then at least in practice. What former Soviet Muslims have in common regardless of their ethnic background and micro-regional origin, is that they went through the Soviet-colonial experience or its aftermath and legacies and that their lingua franca is Russian. Much Islamic literature from the Arab world and Turkey is translated into Russian by different structures and organizations and becomes, as such, accessible for former Soviet Muslims regardless of their origins. The fact that hundreds of thousands of former Soviet Muslims pass at least part of the year as migrant workers in Russia will certainly strengthen the process.¹⁹

Second, a Eurasian Islam is an Islam which tries to define itself in the wake of the slow but certain erosion of the influence and credibility of forms of Islamic practice that have long been dominating, namely governmental Islam and so-called folk Sufism. In several cases, an impotent and disconnected governmental Islam shows to have no real hold among the population and finds itself heavily discredited because of its close association and subjugation to the regime in question. And even if folk Sufism, for its part, will remain an important form of Islamic practice throughout the region, its influence will decrease for several reasons. Being generally of very micro-regional and local, rural and conservative nature, its position will deteriorate along with that of local identities and traditions following migration and the impact of globalization.²⁰ Moreover, being often coopted and folklorized by national and local power elites for sake of legitimacy or promoted as an antidote to “imported extremism,” folk Sufism runs the risk of being discredited once the said power elites are.

The fact that much more than is the case with other zones of Islam, Eurasian Islam is an Islam that is still in a process of defining itself, creates a space for religious knowledge and resources from outside Central Asia and the Caspian. The importance of that is strengthened by globalization and by the fact that there are little independent and homegrown media, civil society organizations, educated cadres and charismatic intellectuals of Islamic inspiration in the region, who can offer a voice and contemporary interpretations of Islam or give form to it.²¹ As the graphic below shows, vectors for

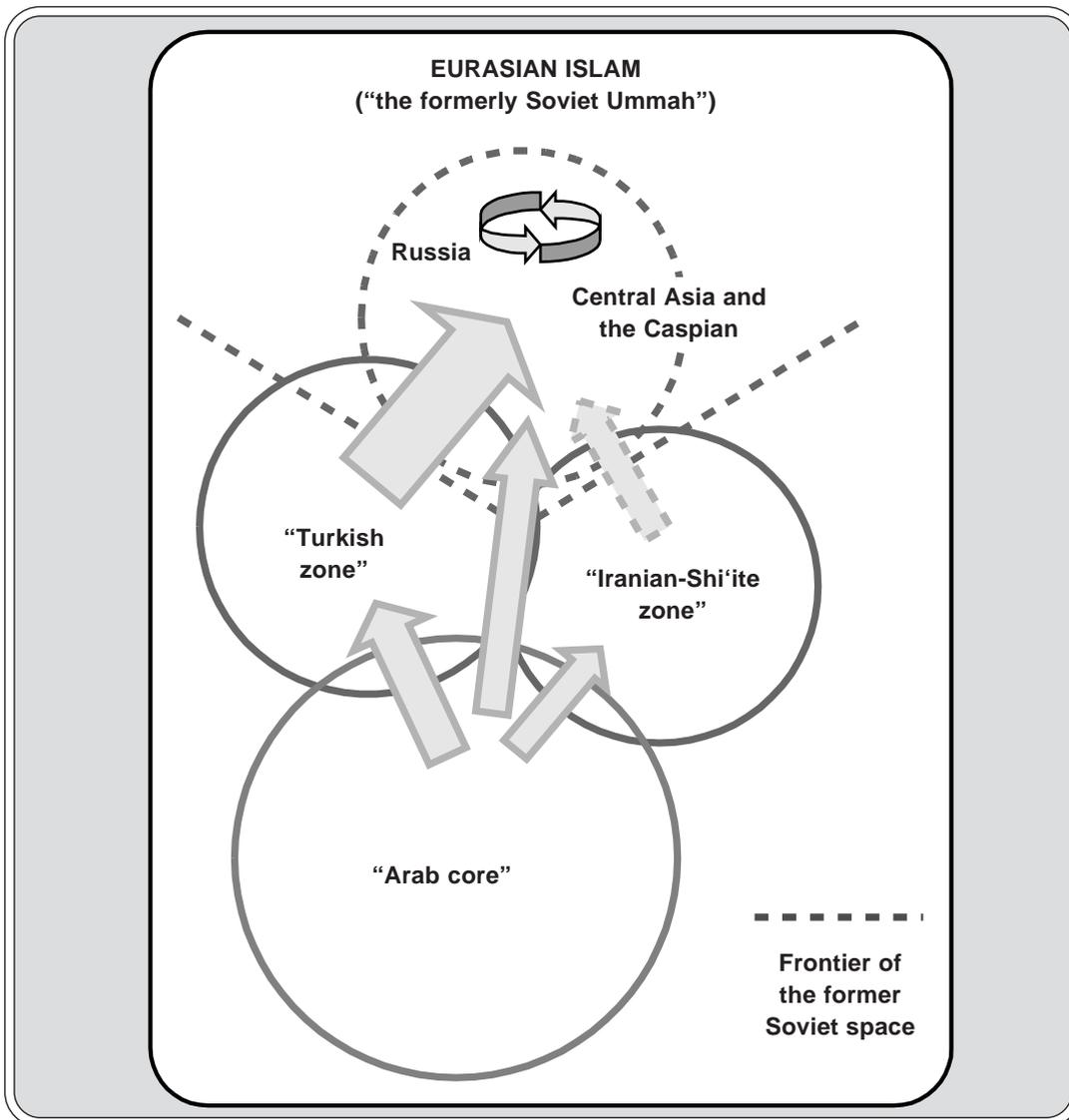
¹⁸ H. Yavuz, “Is there a Turkish Islam?” *Journal of Muslim Minority Affairs*, Vol. 24, No. 2, 2004, pp. 213-232.

¹⁹ For more detail on the coming into existence of a russophone Islam, see: S. Gradirovskii, “Kulturnoe pograničie: russkii islam,” *Kazanskii Federalist*, KIF-IFEAC, No. 1 (13), Winter 2005, pp. 47-51; R. Muhametchin, “V poiskah religioznoi identičnosti,” *Kazanskii Federalist*, KIF-IFEAC, No. 1 (13), Winter 2005, pp. 77-80; A. Malashenko, “Islam, the Way We See It,” *Russia in Global Affairs*, No. 4, October-December 2006.

²⁰ There is a similar process in other parts of the Islamic world, like Pakistan for instance.

²¹ This being said, even if there are no homegrown regional equivalents of a Fetülla Gülen (though his movement is active in the region), Tariq Ramadan or Heydar Jemal, nor a tradition of faith-based social work and philanthropy like in Turkey, younger, independent and educated religious opinion leaders do appear in the region. Examples include Elgar Ibragimoglu and Azer Ramizoglu in Azerbaijan. Another example, though more ambiguous, is Mohammad Sadiq Yusuf, the former mufti of Uzbekistan who was in exile between 1993 and 2000, and amnestied after that. He maintains a certain authority and independence vis-à-vis the Tashkent regime and communicates amongst others through his portal site islam.uz.

religious knowledge and resources are or will be of Arabic origin and translated into Russian, and distributed by former Soviet Muslims or made available by global communication technology (DVD, parabolic antennas, the Internet); faith-based civil society from Turkey; as well as Muslims and Islamic organizations from Russia.²² I doubt whether the historical Sufi institutions in the region, even though they are still important at the micro-regional level and an important religious reference for many individual Soviet Muslims, can and will play an active role in Islamic renewal in the region. The reason is that they are often fragmentized, isolated and conservative to the extent of being associated with incumbent power elites.²³ Since Sufi practices are often anchored in ethnic and micro-regional identities, their importance will decrease when these ethnic and micro-regional identities deteriorate.



²² Graphic created by the author.

²³ See: I. Rotar, op. cit. (cf. note 16); A. Papas, "The Sufi and the President in post-Soviet Uzbekistan," *ISIM Review*, 16, Fall 2005, pp. 38-39. A Tajik political scientist who works on religious issues told me the following in this regard: "Su-

A third characteristic, one as important as it is paradoxical, is that Eurasian Islam is not anchored in a desire for “arabization” nor in pan-Turkism or idealized nostalgia for the pre-colonial situation, but in a desire among many Soviet Muslims to link up through the Islamic religion with the better aspects and values of Soviet Communism which got obliterated or marginalized by the rapacious capitalism that succeeded it. I am speaking about a certain social security and cohesion, absence of criminality and corruption at least compared to the present situation, and resistance against social degeneration including rampant alcoholism and narcotics. I want to stress that the Eurasian Islam as it is characterized here is virtual and not an ideology nor a common conscience or identity among former Soviet Muslims. It is not meant to be that. It is a category of Islam that is marked by the context and the social and historical circumstances in which it is situated and in which it evolves.

One element at the geopolitical level that could contribute to the emergence of a “Eurasian Islam” or at least determine its direction is the extent to which the Russian establishment is willing and able to recuperate certain dynamics within the former Soviet Ummah. Certain influential intellectuals in Russia, where Muslims now form the second largest component of society, not only back Russian membership of the Organization of the Islamic Conference but also plead for Russia taking the lead in backing what they consider to be “good Islam:” traditional Sufism and Shi‘ism.²⁴ The purpose of such a move is, first of all, to cement Russia’s position in strategically and energetically important parts of the Islamic world (the Northern Caucasus, Central Asia and the Caspian, Iran, Turkey as well as some Arab countries).²⁵ Second, it is to counter the influence of “bad Islam:” that is, Sunni extremism from the Gulf (Wahhabism and Salafism) that is not only perceived as “alien” to “good Islam” but also an instrument of anti-Russian destabilization by the Anglo-American axis.²⁶

Which Jihad in Turkistan?

One question remains: what are the possibilities of politization and radicalization of Islam in former Soviet Central Asia and the Caspian? I previously said that the economic growth in countries like Kazakhstan and Azerbaijan and the stagnation of the regime and society in Uzbekistan create expectations, ambitions and frustrations which will sooner or later feed several forms of political mobilization. Certain social mechanisms that led to discontent and eventually the overthrow of the pro-Western monarchy in Iran and the expansion of Islamism in several Arab countries in the 1980s

fism is indeed a historical given in this region. But nowadays, it especially tends to be idealized by certain sympathetic audiences in the West and in Russia. They tend to overestimate its importance. It is not a change factor, on the contrary. Much has degraded. Sufism here is by far not the dynamic movement that it is in Turkey or among Muslim immigrants in Europe, for example.” Besides that, among the hundreds of young clerics who got religious training outside of the former Soviet space, many have religious knowledges that are far more solid and contemporary than those of local Sufi sheikhs.

²⁴ See: M. Laruelle, “Russo-Turkish Rapprochement through the Idea of Eurasia,” *The Jamestown Foundation, Occasional Paper*, April 2008, p. 4, T. Ataev, “Religionnoe obramlenie geopoliticheskoi borbi,” *Islam v Rossiiskoi Federatsii*, 13 May 2008.

²⁵ See: I.K. Korostelev, “Povorot na Vostok,” *Islam v sovremennom mire: vnutrigosudarstvennii i mezhdunarodno-politicheskii aspekti*, No. 3-4 (9-10), 2007, available at [www.islamrf.ru/islammodern]; idem, “‘Islamskii vektor’ vo vneshnei politike sovremennoi Rossii: tekhnologiya proriva,” *Islam v sovremennom mire: vnutrigosudarstvennii i mezhdunarodno-politicheskii aspekti*, No. 2 (8), 2007; D.B. Malysheva, “Rossiya v poiskah novogo partnerstva na musulmanskom Blizhnem Vostoke,” *Islam v sovremennom mire: vnutrigosudarstvennii i mezhdunarodno-politicheskii aspekti*, No. 1 (7), 2007.

²⁶ This perception is fed by memories on the financial and military support given by the U.S. and, especially, by the intelligence services of U.S. allies like Pakistan and Saudi Arabia to extremist Sunni guerillas against the Soviet occupation force and the Communist regime in Afghanistan during the 1980s. Of more recent date but along the same lines is the popular idea that the Salafist guerrillas in Chechnia and other parts of the Northern Caucasus receive various forms of support from Anglo-American intelligence services (see, for example: S. Yuriev, “Neft v obmen na detei: terroristy vypolniaiut zakaz tekhn, komu nuzhen ukhod Rossii s Kavkaza,” *Komsomolskaia pravda*, 3 September, 2004; M. Alexandrov, “Rossiui vydavlivaiut iz Zakavkaziya,” *Krasnaya Zvezda*, 6 September, 2004).

and 1990s are nowadays present in Central Asia and the Caspian as well. This, however, does not mean that political mobilization of discontent and ambitions will go along Islamic lines in the region. It is only one of the options among other channels like various social and environmental movements and, in some countries, anti-Chinese nationalism, for example.

In these circumstances, do radicalized forms of Islam, inspired and supported by movements from the “classical,” non-Soviet Islamic world, pose no threat at all then? It does, but not to the extent that it can continue to serve as an alibi for all-round oppression by regimes like that in Uzbekistan or for international support of such regimes (it must be said that certain regimes form a bigger threat for pious Muslim than vice-versa). In terms of nongovernmental politization of Islam in the region, one has to make a distinction between nonviolent and violent forms. My personal estimation of political Islam’s potential in the region comes to the following. If a nonviolent Islamist party of the kind of the Turkish Justice and Development Party could participate in free and fair elections, I estimate that it could obtain between 5 and 15 percent of the votes depending on the area, social group and local as well as global circumstances.

Violent expressions of Islamism do will reappear. If I said before that this threat tends to be inflated and instrumentalized for political purposes, it does not mean that it is entirely absent or based on mere myths. I am more concretely thinking about fractions issued from the Islamic Movement of Uzbekistan like the Islamic Jihad Union or about homegrown local groups like Bayat in Tajikistan. The question is though, what their military capacity and popular support base in the region are. These look quite limited, especially if we remember the incapability of the Islamic Movement of Uzbekistan to do anything sustainable, hold any territory or even inspire a popular revolt in Uzbekistan after the group’s surprise guerrilla offensive at its zenith in 1999.

Ironically, the presence of a low-intensity threat of violent Islamism arranges several of those who pretend to combat it. “Islamist terrorism” in formerly Soviet Central Asia and the Caspian will probably adopt the proportions of revolutionary Marxist cells that existed in Europe in the 1970s and 1980s, like the Baader-Meinhof Group and Action directe. Strongly mediatized and sensationalized and politically instrumentalized by some, they proved to have no popular base among the working classes whose interests they pretended to represent. They could not destabilize the situation. If changes in the power system lead to an eruption of wider violence—a scenario which is not unthinkable of in Uzbekistan—this will not be due to one or another international Islamist scheme but rather to local power struggles and cropped-up frustrations. From its side, the question remains to what extent the international Jihadi movement, including its elements who are originally from the southern U.S.S.R., remains interested in the “liberation” of the region in times when there are other, much more symbolic frontlines like Iraq and Afghanistan where jihadist fight Anglo-American occupiers.²⁷

With a traditional association with Islam and an Islamic practice and conscience in flux and mutation, confronted with a late decolonization and social mobility, as well as with different influences that are as contradictory as they are controversial due to the geopolitical position of Central Asia and the Caspian, the challenge for the former Soviet Muslims is not to have to choose between status quo and stagnation, blind westernization or what is seen as it, and “Islamic extremism.” It is most and for all to find their place in today’s global reality. The role that Islam will play in this process or in the way it is being expressed should not be underestimated. This is the real Jihad in Turkistan.

²⁷ The evolution of the Islamic Movement of Uzbekistan and its leader Tahir Yuldots since 2001 and 2002 is most interesting in this regard. Heavily reduced and based in the Pakistani tribal areas of Waziristan now, it seems that they no longer have a real agenda and strategy for Uzbekistan but that they were absorbed into a larger Taliban and al-Qa’eda nexus that fights the Anglo-American and governmental forces in Afghanistan.

REGIONAL POLITICS

**INTERNATIONAL TERRORISM AND
CENTRAL ASIA:
PREMATURE ASSESSMENTS**

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In the months leading up to, and the first few years after, the Soviet Union collapsed numerous articles and books were published that claimed Islamic “fundamentalism” was likely to emerge in Central Asia. These fears were predicated on numerous scenarios, the most important being the ongoing political and military crisis in Afghanistan and Iranian attempts to increase its influence in the region. I will argue, however, that these concerns were premature and that the real threat to the stability and security of Central Asia, and the potential threat of Islamic radicalism, is more likely to be during the next transitional phase when the current repressive regimes are replaced by new leaders, what I refer to as the “post-transition transition.”¹ I do not believe that Islamists and their actions are the threat, rather that the rhetoric coupled with actions will be used to discredit subsequent leaders and that internal, factional political rivalries will embrace whatever means necessary to eliminate opposition. In this scenario, the power of Islamic rhetoric and propaganda will influence and alter the political evolution in Central Asia and its devolution from authoritarian structures toward liberal democracies. Therefore, the purpose of this paper is to posit an argument that early assessments were “premature” and rather alarmist based upon real and perceived weaknesses in Central Asia rather than a better comprehension of the strength and vitality exercised by the transitional regimes. At the conclusion, I have four (although more can be posed) questions designed to augment our “assessments” of the current social, economic, and political transition that is occurring in the region.

¹ Determining exactly when the “transition” ends is difficult, but for the purpose of this paper the criteria is either the “transition” from immediate post-Soviet leaders (such as Niyazov or Akaev) to “new” leaders or, less definitive, the establishment of economic, political, and social independence from Soviet era structures. Thus, for example, Kazakhstan’s economic environment might be fully emancipated from centralized control, but the political situation remains hindered by Soviet legacies.

As we examine regime transitions in Central Asia, the hope that democratic principles will prevail quickly evaporates. In the two cases where regimes have fallen, both occurred due to violence or massive public protests. Tajikistan's civil war resulted in thousands killed and even more displaced; whereas, in Kyrgyzstan, the regime fell not because of the ballot box but because of widespread protests that erupted throughout the republic and the fear of violent upheaval, which forced President Akaev to flee the country.² The global reach of militant Islam has caused widespread concern that the former Soviet Central Asian republics are most vulnerable to its consequences and ramifications. Weak state and social structures, political leadership that has turned more and more repressive, and porous borders suggest that at the very least the region could become a sanctuary and as well as an incubator for Islamic extremism, terrorist activity, and anti-state insurgency. The likelihood seems real enough still, but did the early predictions fail to analyze fully the strength and tenacity by which the post-Soviet regimes maintained power in each respective republic?

In the early 1990s, numerous scholars addressed the possibility, indeed the probability, of the emergence and rise of what was commonly called "Islamic fundamentalism" in Central Asia. The general consensus was that Central Asia, which lacked the fundamental security structures, included pockets of ethnic and national cleavages, social, cultural, economic, and political deficiencies making it highly vulnerable to what can be more accurately classified as militant or radical Islam. The panacea to this susceptibility was rapid and sustainable economic and political liberalization, a transformation from authoritarian, centralized control exercised during the Soviet era. That has not happened, despite the region's regimes' efforts to demonstrate otherwise. Consequently, groups espousing Islamic agendas for the region have emerged, but the regimes' abilities to repress these groups have meant they have thus far avoided the serious violence most often associated with Islamic terrorism. This is not to suggest that the potential has evaporated or that the tactics and strategies employed by the regimes will successfully continue to stave off terrorist activities and threats. It suggests, however, that after more than fifteen years of economic decline, social instability, and political repression, coupled with real and imagined cultural resurrection, it might make the region more vulnerable to Islamist rhetoric and conflict in the second or third decade of independence rather than the first.³

After the initial flurry of articles and books appeared devoted to the threat of Islamic terrorism, there was a lull in scholarly attention. Since 2001, however, there has been a noticeable increase in works being published that reassess the threat, yet few seem to note that similar concerns were readily expressed in the early 1990s that failed to materialize in any manifest way. Did scholars focus too intensely on the perceived and real weaknesses in Central Asia and fail to understand subsequent sociocultural and political strengths?

Clearly, after the collapse of the U.S.S.R. the newly empowered political leaders in each of the Central Asian republics were inclined toward single party rule; indeed, referring to the structure as "party" might be a misnomer as each president achieved power without the party structures that might normally be associated with electoral politics. The one exception was Askar Akaev in Kyrgyzstan, although that in all likelihood had more to do with the process by which he won election to office than a reflection of his supporters' aims. Once in power, Akaev began a slow, but steady, decline toward power consolidation.

² The Kyrgyz example is troubling because it has established an unhealthy and, I believe, unproductive mechanism and precedent. Whenever enough mass can be set against the regime, for whatever reason, the expectation might be that it should somehow remove itself. If it does not, will the anger and frustration degenerate into violent efforts to oust a truculent regime?

³ This assertion is easy to make simply because few serious Islamic extremist tendencies emerged in the region during the first decade; however, in ten years from now some might be able to argue that this paper was also a "premature" assessment.

In the months following the Soviet disintegration, there was, to varying degrees, an emphasis on historical, national glories, traditions, culture, and languages.⁴ Islam is inextricably linked to the Central Asian past, the region's traditions and culture. Thus, Central Asian leaders quickly rejected the common Soviet underlying ingredients with its Slavic culture and traditions and embraced reinterpreted history and mythology to fill the vacuum created by the discredited Soviet ideological composition. The secular oriented governments sought to eliminate political rivals that threatened their regime. Often, the regimes clashed with nationalist and culturalist demands that seemingly threatened the sociopolitical agendas established by the regimes to ensure stability and perpetuate their power. Islam did not, however, figure for long in the cultural revival expressed by political leaders.

The extent of support for Islamists in Central Asia remains controversial and difficult to discern. Its operations are complicated, lacking recognizable leadership and fully articulated objectives. Determining the level and intensity of support is unclear and often miscalculated by the regional governments in order to justify repressive tactics employed against political rivals that also reject Islamist demands, but are, nonetheless, perceived as a serious menace to stability. Some scholars have identified internal economic factors as the basic element fueling the growth of Islamic tendencies and terrorism in the region; however, this appears to underestimate other internal and external pressures exerted on the regimes and the populations since 1991. What seems to be evident is that armed militants opposing the regimes have primarily local complaints but utilize the rhetoric of radical Islam in order to discredit the governments in question. Were scholars too eager to embrace the fear of extremist Islam rather than its cultural but not spiritual influences?

Some scholars have argued that the Islamic revival has been based from the start on the sedentary or nomadic past. The Islamic revival, according to this argument, is more potent among traditionally settled populations, the Uzbeks and Tajiks, than among the nomadic Kazakhs, Kyrgyz, and Turkmen. Another contributing factor has been the relative weakness of the embryonic democratic civil institutions and the ethnic composition of each republic. Thus, this argument posits that the relatively less repressive regime in Kazakhstan, with its multi-national demographic features and its nomadic heritage, make it less prone to radical Islamic propaganda and pressures. The opposite, therefore, seems to hold for Uzbekistan and Tajikistan (can it be called the Ferghana factor?).

One reason scholars expressed concern about Islam's revival in Central Asia was that the regional leaders embraced references to Islam and the region's history in order to legitimize the new political institutions; thus, new national doctrines and identities were adopted using Islamic symbols. This revival, however, was largely rhetorical. During the Soviet era Islam remained chiefly ritualistic and traditional rather than intellectual, spiritual, or ideological. Therefore, it is important to understand this point about political institution building in post-Soviet Central Asia—all political institutions and actors lacked the legitimacy that the Communist Party provided during the Soviet era. There was no national or political ideology—indeed, it appeared that these new states were merely accidents of Soviet social and political experimentation without real histories except those that were expressed in ideological forms—which a leader could comfortably embrace as the source of one's power and authority. Islam provided that legitimacy as an enduring form of identity among the majority of the population, justifying claims to statehood in an international environment that only acknowledges recognized political boundaries. Were these concerns valid?

Militant Islam in Central Asia has been generally, if not brutally, held at bay. In the early 1990s numerous works appeared that traced the phenomenon of radical Islam's potential to spread throughout the region. Debates over the Islamic threat to the stability in the region have rarely been examined in its comparative relativity to the region, with only a few exceptions, particularly in the context of

⁴ Indeed, even before the Soviet Union collapsed, each republic had passed language laws that made each titular language the official language of the republic. Russian remained semi-official, but, in general, the emphasis on national languages became a political and cultural issue.

Islamist movements elsewhere in the Muslim world.⁵ While an interesting and useful exercise, it is beyond the scope of this paper today.

Of course, the terms *jihad* and *jihadist* continue to vex scholars and commentators, but they can be used here, as well as by Islamic groups, to describe militant Islamic groups that regard the conflict as one between Islam and infidels, which they believe is a menace to their religion and Muslims worldwide. Moreover, these groups do not confine jihad to merely a war against infidels but states and rulers who violate the principles of Islam. Thus, they agitate and commit themselves to deposing these regimes and resort to violent behavior in order to achieve their goals.

The roots of the conflict between Islamists and the states in Central Asia are complex. Some scholars trace it to the initial penetration of the religion in the region and others, such as Vitaly Naumkin, believe that it is a more modern phenomenon, but still argue that antecedents can be identified in the pre-Soviet period.⁶ One such source is the still controversial *Basmachi* movement that resisted Soviet rule throughout the 1920s. These early “sources” seem, however, more a scholarly exercise than a reflection of the contemporary threat and phenomenon. Indeed, the suggestion itself seemingly asserts that this conflict is inevitable and neglects other mitigating circumstances, including economic and political forces and anxieties. This “rediscovery” of the past was uncertain, but tailored to suit the political interests of the new regimes’ vision of the present and future that lacked legitimacy and consensus. Islam is a unifying element that suited the initial need to reject the failed Soviet experiment and fulfill the ideological and sociopolitical vacuum.

The reason that so many scholars and outside observers believed that the Islamic revival in Central Asia was potentially subject to hostile and radical influences was because the religion had been isolated, but never eliminated, during the Soviet era. Many scholars identified the “unofficial” Islamic practices, particularly among the traditionally sedentary populations, that continued despite Soviet efforts to suppress it.

There are many reasons for the potential emergence of militant Islam in Central Asia, but they are chiefly economic, political, and/or ideological. These are not mutually exclusive and often overlap as the probable cause. The first two are, however, the most important in the Central Asian context and augment the adoption of common rhetoric used by other Islamist movements. Economic motivations stress the importance of socioeconomic factors, based upon Islam’s strong emphasis on social justice, identifying economic deprivation and declining living standards as one of the reasons for Islam’s revival. Social injustice has particularly strong appeal for Muslims and engenders the “feeling of injustice constantly feeding all radical Islamic movements.”⁷

The future prospects for Islamist movements to take more violent action and expand their influence in Central Asia, as this article argues, is the political frustration created by the various regimes’ decision to exclude all opposition from the political arena. This frustration and discontent is, as Graham Fuller observes, for many reasons why in the Muslim world “political Islam still remains the only realistic major alternative to most of today’s authoritarian regimes.”⁸

The ideological explanation does not seem to work in Central Asia, at least not as a root cause, but it can certainly explain the evolutionary emergence when movements in Central Asia fail to elicit mass support among the population in general.

⁵ The major exceptions are the works by a French scholar and a Pakistani journalist (see: O. Roy, *The New Central Asia: The Creation of Nations*, I.B. Tauris, London, 2000; A. Rashid, *Jihad: The Rise of Militant Islam in Central Asia*, Yale University Press, New Haven, CT, 2002). More recently a Russian scholar has produced a work that examines more fully the phenomenon (see: V. Naumkin, *Radical Islam in Central Asia: Between Pen and Rifle*, Rowman & Littlefield Publishers, New York, 2005).

⁶ See: V. Naumkin, op. cit., p. 9.

⁷ J. Burke, “Al-Qa’eda Today and the Real Roots of Terrorism,” *Terrorism Monitor*, 12 February, 2004, p. 2.

⁸ G. Fuller, *The Future of Political Islam*, Palgrave Macmillan, New York, 2003, p. 15.

Thus, I would like to turn to early assessments of Islam's potential in Central Asia. This review is not an exhaustive analysis of all sources, but some representation is necessary. Thus, the works of a few scholars provide that sufficiently to permit some conclusions.

According to Shireen Hunter in 1996, one of the motivating factors behind Saudi Arabia and other Arab states' interest to establish firm relations with the Central Asian republics was the desire to prevent radical Islamic threats from emerging in the region.⁹ Yet, other scholars claimed that Iran was the most active Islamic state in the region, motivated by its "traditional competition with Turkey." Nonetheless, Iran has not significantly influenced Islam's revival "not so much by the opposition of local regimes as by the limited resources and general cautious attitude of the Sunnite population of Central Asia to Shi'ite Islam."¹⁰ The population was, however, more receptive to Islamist rhetoric, particularly in rural areas, because it is "groaning under the pressure of a demographic explosion and increase in small landowners [and] it looks to the Islamic tradition for language to express and formulate its needs and demands."¹¹

The early references to "fundamentalist" Islamic influences in Central Asia meant, according to James Critchlow, for the region's Muslim population a "radical form of Islam, which would intrude on their social freedom by becoming an arbiter in civil matters."¹² Critchlow dismisses the prospects of Iranian influences reaching deeply into the social or spiritual life of the people, in particular the Uzbeks, chiefly because of the variance between the Sunni tradition in Central Asia and Iranian Shi'ite beliefs. Indeed, he argues that Afghanistan is the more likely source of destabilizing influences in Central Asia, but that the "present chaotic state of Afghanistan would seem to weaken the ability of such forces to intervene effectively in Central Asia."¹³ In this sense, Critchlow missed the more important feature of the Afghan conflict, and that is the increased flow and corruption associated with the illegal drug trade that emanates from Afghanistan and the vested interests some groups, including militant Islamists and corrupt border officials, have in maintaining it unabated. Other scholars consistently noted the potential for Afghanistan's civil war disturbing the political evolution in Central Asia. In 1995 Ralph Magnus and Eden Naby's article, "Afghanistan and Central Asia: Mirrors and Models," suggested that Afghanistan "functions as a warning to their own [the Central Asian leaders] of the dangers of following a particular model of political change."¹⁴ They further argued that "with the emergence of Central Asian opposition movements (armed in the case of Tajikistan), including both democratic nationalist and Islamist elements, the situations of Afghanistan and Central Asia are increasingly mirrors of internal instability."¹⁵

The West was alarmed by Central Asian independence, not in defense of the sovereignty of the Soviet system, but rather fearing that international security might somehow be threatened if Kazakhstan, for example, an unknown state with an unfamiliar leader, could be swayed to share its nuclear capabilities.¹⁶ Further reports that Tajikistan was selling uranium intensified concerns that Islamic

⁹ Sh.T. Hunter, *Central Asia since Independence*, Praeger, Westport, CT, 1996, pp. 142-143.

¹⁰ Yu. Kulchik, A. Fadin, V. Sergeev, *Central Asia after the Empire*, Pluto Press, London and Chicago, 1996, p. 54. These authors further claim that the "Islam professed by the Central Asian masses at present is largely an uncivilized, crude version of Islam."

¹¹ *Ibid.*, p. 6.

¹² J. Critchlow, "Nationalism and Islamic Resurgence in Uzbekistan," in: *Central Asia: Its Strategic Importance and Future Prospects*, ed. by H. Malik, St. Martin's Press, New York, 1994, p. 237.

¹³ *Ibid.*, pp. 238-247. Critchlow suggests that Russia posed a greater threat to Central Asia's independence than the threat of Islamic fundamentalism if nationalists in Moscow exploited the economic decline and weakened Central Asian leaders to the extent that the former Soviet empire could be reconstituted. He writes: "One should not let today's fascination with Islamic fundamentalism cause blindness to the possibility of a reconstitution of a new Russian-led imperialism, with the acquiescence of embattled leaders in the new Central Asian republics."

¹⁴ R.H. Magnus, E. Naby, "Afghanistan and Central Asian: Mirrors and Models," *Asian Survey*, Vol. 35, 1995, p. 614.

¹⁵ *Ibidem.* The authors note, too, that the Islamic opposition in Tajikistan was "scarcely revolutionary," and that it willingly cooperated with secularists and former communists; it was the civil war that "radicalized" the movement.

¹⁶ According to Ahmed Rashid, "Rumors abounded in the Western press that Kazakhstan had sold an SS-18 to Iran and that it was about to provide Tehran with uranium. None of the reports was ever proved but they kept Western intelli-

militants would have access to fissile material, although it does not appear that these illicit sales ever occurred.¹⁷ Nonetheless, not all observers expressed concern that Islam's revival would translate into a radical or militant form.

One such effusive appraisal of Islam's revival in the early years of independence is Ahmed Rashid's comment that the "Islamic revival has been quite extraordinary, an unprecedented phenomenon in the history of the Islamic world and a clear rejection of the Soviet system. Nowhere in the world has religious feeling been suppressed for so long and with such brutality and yet revived with such enthusiasm."¹⁸ Rashid acknowledges that Islam catapulted to the fore more as a rejection of the Soviet experience than an eager adoption of the spiritual, or even radical, tenets of faith. It should not have been assumed, as Rashid and others seemed to, that the revival of Islam was anything more than an embrace of cultural freedom that had been banned for seventy years. Rashid does, however, argue that major obstacles would prevent Islamic radicalism from spreading into Central Asia, but writing so soon after the Soviet collapse he could not have foreseen the course of events in Afghanistan, the severe repression of all political opposition, the tenuous political outcome of the Tajik civil war, the overthrow of Akaev's government in Kyrgyzstan, and many other episodes that will make militant Islam a viable alternative during the eventual post-transition transition to new rulers. The evidence that most scholars cite for "such enthusiasm" was the fact that mosques and madrassahs were being built in large numbers and young people were therefore especially susceptible to radical, militant Islamic preaching.

Not all scholars writing shortly after the Soviet Union collapsed opined based on an Islamic threat. According to Anthony Hyman, writing in 1993, stability in Central Asia was dependent upon Uzbekistan remaining "peaceful" toward its neighbors.¹⁹ Hyman also suggested that Niyazov, with his republic's "enhanced free-market gas prices for exports" could make economic transformation "quite conceivable" as well as possessing the best opportunity for "staying power in the region."²⁰ One out of two is not bad, but could anyone have predicted Turkmenistan's current state of affairs?

Hyman also notes that political repression in Uzbekistan, especially of the Islamic Revival Party, which seemed to have a considerable following, and the government's tactics have actually done more to enhance this party's prestige, limited though it might have been, and make the party actually appear stronger and more influential than it likely was. As the state constituted itself around new images and symbols, including the Islamic heritage, Hyman believed that ethnic nationalism posed the greatest threat to the embryonic regime, arguing that the Islamic threat of "irresistible 'Wahabi' or Iranian radical influence" was "exaggerated out of all proportion." He concluded that the shape of Islam in Central Asia will be based upon internal influences and not from the "impact of external, alien ideologies unsympathetic to the majority of its people."²¹

In conclusion, this paper does not argue that the scholars writing shortly after the Soviet Union collapsed were wrong in their assessment of the situation in Central Asia, but rather that their concerns were premature. None assumed that the various regimes' abilities to suppress opposition movements would be as thorough and vigorous as it has been. Thus, this paper argues that the potential threat to Central Asia from militant Islam is most likely to be in the post-transition transition. That is when nascent political opposition, disgruntled by years of repression, will have the most opportune moment to influence the political direction and outcome. What we failed to understand was just how strong the regimes were and, instead, focused attention on the perceived weaknesses. Moreover, I think

gence agencies on their toes for much of the year" (A. Rashid, *The Resurgence of Central Asia: Islam or Nationalism?* Zed Books, London, New Jersey, 1994, p. 235).

¹⁷ See: *Ibid.*, p. 236.

¹⁸ *Ibid.*, pp. 243-244.

¹⁹ See: A. Hyman, "Moving out of Moscow's Orbit: The Outlook for Central Asia," *International Affairs*, Vol. 69, 1993, p. 290.

²⁰ *Ibid.*, p. 291.

²¹ *Ibid.*, p. 301.

we failed to realize how politically passive the populations were and the depth to which religion could unify unprepared societies in Central Asia. I argue that the events in Kyrgyzstan have been misunderstood by the leaders in Central Asia and rather than easing political restrictions they will further entrench and solidify power.²² Events in Andijan in 2005 are, I believe, an example of this misconception of the causes behind Akaev's ouster. The problem remains, however, that determining exactly what occurred is still elusive.

Thus, here are questions that I want to pose:

- (1) Were observers wrong to assume that the collapse of the Soviet Union meant too that the political structures in the Central Asian republics were equally fragile?
- (2) Were observers wrong to speculate about the power of militant Islam to infiltrate and negatively hinder the political, social, and economic evolution of these new states?
- (3) Have the post-Soviet regimes in Central Asia successfully established mechanisms, no matter how authoritarian, to allow peaceful transition?
- (4) Are we at all comforted by the seemingly peaceful transitions in Turkmenistan and Kyrgyzstan to believe that this trend positions Kazakhstan and Uzbekistan for similar change?

²² The prescription for the political difficulties in Central Asia are, perhaps, evident by the post-transition transition in Kyrgyzstan where the mechanism for political change is founded upon the fragile, even dangerous, model of demonstration. Opposition forces in Kyrgyzstan called for public demonstrations against the Bakiev regime on 11 April, 2007. Some opposition groups desire his ouster, Akaev-like, whereas others insist upon further negotiations and political compromise. In other words, the opposition has seemingly subscribed to only one lesson of the Tulip Revolution: dissatisfaction with a political impasse gives rise to demonstrations that oust the leadership rather than democratic evolution which is ultimately best achieved via elections. An unhealthy precedent has been established in Kyrgyzstan that could prove more destabilizing than the initial transition from Soviet to post-Soviet regime (see, for example: E. Marat, "Bakiev Tries to Save his Presidency but Opposition Prevails," *Eurasia Daily Monitor*, Vol. 4, No. 62, 29 March, 2007).

RUSSIA AND GEORGIA: POST-SOVIET METAMORPHOSES OF MUTUAL RELATIONS

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The post-Soviet relations between Russia and Georgia are best described as complicated and contradictory. Indeed, the less than two decades of post-Soviet history include several dif-

ferent but logically connected periods. This means that anyone wishing to better understand the nature of the relations between the two countries and the meaning of their current stage should grasp

their logic. Put in a nutshell it means that Russia still hopes to preserve the tools of its influence on Georgia, while Georgia is seeking a civilized model of relations with Russia. Georgian officials describe it as respect for Russia's "legal interests"

in the region and protection of Georgia's national and state interests.

Georgia's official position expounded below, with which the present author agrees, is open for discussion.

Attempted Restoration of Georgia's Independence through Negotiations with the Soviet Leaders

By the late 1980s the national-liberation movement had created a context in which it became clear that Georgia should restore its state independence; this meant that Moscow was expected to recognize the fact of occupation and annexation of Georgia and that the international community should help Georgia overcome their negative repercussions.

During Gorbachev's perestroika, when the Soviet regime became slightly more liberal than before, the Georgians awakened to their past. The Georgian Democratic Republic (1918-1921) was the object of numerous publications in Georgian non-official periodicals that stirred up the idea of restored independence; on many occasions the public agreed on the nature of a future independent Georgian state.

Under the agreement of 7 May, 1920 the Russian Soviet Federative Socialist Republic recognized the independence of the Georgian Democratic Republic. Some time later the Red Army attacked Georgia, occupied the country after a short war in February-March 1921, and established Soviet power. Later Soviet Georgia was incorporated into the Soviet Union. Much has been already written about these events.¹ Georgia tried to restore its independence through talks with Russia on the strength of the developments of 1920-1921. It was expected that Russia would recognize the fact of Georgia's occupation and annexation by the Red Army and of Georgia's incorporation into the Soviet Union against its will. This recognition should have been accompanied by liquidation of the results of aggression and restoration of Georgia's state independence.

The victory of Zviad Gamsakhurdia's Round Table—Free Georgia Bloc at the parliamentary elections of 28 October, 1990 shifted the idea into the sphere of practical policy: after coming to power the new president officially announced that the country had entered a period of transition toward restored independence.²

Moscow never responded to Tbilisi's demands to recognize the facts of occupation and annexation; the Soviet government, which refused to recognize Georgia's independence in principle, was building up tension in the country.³ The Decision of the Supreme Soviet of the U.S.S.R. on the referendum on the Soviet Union's continued existence scheduled for 17 March, 1991 quenched the hopes that the Soviet leaders would admit the facts of aggression and annexation.

¹ L. Toidze's definitive work *I interventsia, i okkupatsia, i nasil'stvennaia sovetizatsia, i fakticheskaia anneksia. K otsenke voyny fevralia-marta 1921 goda mezhdru Gruziei i Rossiei*, Tbilisi, 1991 deserves special mention.

² On 14 November, 1990 Zviad Gamsakhurdia said at a Supreme Soviet of Georgia session: "After Soviet Russia occupied and annexed Georgia," the government of the Georgian Democratic Republic did not sign an act of capitulation, which means that "legally the independent state of Georgia and its Constitution still exist." "Georgia is an annexed country that began liquidating the results of annexation and is restoring its independent statehood." "There is another question: Georgia should be recognized as an occupied country, which means that the Soviet army is the army of a foreign country. We should raise the question at the international legal level of withdrawal of the Soviet occupation forces from Georgia. We should start negotiations with the Center and the Western countries" (*Politika*, No. 2, 1990, p. 11).

³ See: *History of Georgia. 20th Century. Textbook for Department of History Students*, Tbilisi, 2003, p. 231 (in Georgian).

Restored Independence and Confrontation with Russia (1991-1993)

Georgia boycotted the “all-Union” referendum of 17 March, 1991; on 31 March it carried out its own referendum to ask its citizens: Do you want to restore the country’s independence on the strength of the Independence Act of 26 May, 1918? On 9 April, 1991 independence was restored.

The country, which considered itself independent *de jure*, remained *de facto* part of the Soviet Union. The Soviet Union and later the Russian Federation responded to the declaration of independence with an active support of the separatist Abkhazian and Ossetian sentiments. Zviad Gamsakhurdia was removed; simultaneously, the Soviet Union ceased to exist. Georgia was plunged into a civil war exacerbated by the war in Abkhazia. Under the guise of so-called ethnic conflicts Russia waged an aggressive war against Georgia that involved, more or less openly, so-called North Caucasian volunteers.⁴

Eduard Shevardnadze, who came to power after Zviad Gamsakhurdia, reconciled himself to the fact of separatist regimes in Abkhazia and South Ossetia and their *de facto* annexation by Russia under the guise of a peacekeeping mission. He even joined the CIS despite the opposition’s vehement protests.⁵

It turned out, however, that Russia had much more aggressive designs with respect to Georgia. According to Shevardnadze, during his visit to Moscow in December 1993 Russia’s Defense Minister Pavel Grachev unfolded a map in which Georgia was divided into the West ruled by Gamsakhurdia and the East by Shevardnadze. The former president added that he had avoided this variant with the help of then President of Ukraine Kravchuk.⁶

President Shevardnadze had to take into consideration military defeat and the position of a large part of the former communist Moscow-oriented nomenklatura who had returned to power and believed that “confrontation with Russia” started under Gamsakhurdia was a bad mistake.

The Georgian public, in turn, regarded the CIS as a “modernized Soviet Union” and interpreted Georgia’s CIS membership as another period of occupation.⁷ As distinct from February-March 1921, neither was the CIS a copy of the Soviet Union, nor did Georgia suffer a complete military-political defeat even though it looked as if it had been returned to the post-Soviet Russian orbit.

⁴ In his memoirs Eduard Shevardnadze writes about “the undeclared war with Russia” and cites numerous facts of Russia’s direct aggression. He wrote: “The war with Russia in Abkhazia was one of the dirtiest, cruelest, and most inhuman wars, during which people were tortured and killed because of their ethnic origin, their houses were burned down, their property taken away from them, and they were forced to leave Abkhazia” (E. Shevardnadze, *Pondering Over the Past and Future. Memoirs*, Tbilisi, 2006, p. 430, in Georgian).

⁵ On this score the former Georgian president has written: “The situation was hopeless. Russia accomplished its dirty plans—the country was on the verge of disaster. There was no alternative. I was forced to accept a compromise: Georgia had to become a member of the Russia-controlled ‘Commonwealth of Independent States’” (E. Shevardnadze, *op. cit.*, pp. 432-433). From the very beginning the Georgian public accused Eduard Shevardnadze of serving Russia’s interests and bringing the country to defeat in order to return it to the RF’s orbit. Leader of the Popular Front N. Natadze accused Shevardnadze of acting on Russia’s orders, and “together with Ardzinba, he deliberately organized a war and just as deliberately brought it to defeat” (N. Natadze, *What I Know*, Tbilisi, 2002, p. 298, in Georgian).

⁶ See: E. Shevardnadze, *op. cit.*, pp. 434-453.

⁷ In October 1995 well-known Georgian public figure Akakiy Bakradze pointed out that the CIS “is an attempt to return to Russia everything that it lost as a result of the Soviet Union’s disintegration. It is an attempt to restore the large Russian empire under the new conditions” (A. Bakradze, *Works*, Vol. 7, Tbilisi, 2005, p. 638, in Georgian). He also said: “We all know only too well that there were no Georgian-Abkhazian and Georgian-Osset conflicts. There were Russia’s interests in Georgia, which it promoted by occupying these territories. It naturally capitalized on certain sentiments that existed among the Abkhazians and Ossets and channeled them against the Georgians. It was Russia that supervised the process for the sake of its political aims” (*ibid.*, p. 640).

An Attempt to Restore Territorial Integrity with Russia's Help (1994-1998)

The new period in relations between the two countries began when Georgia joined the CIS and signed the so-called framework agreement with the Russian Federation. It was a new version of the Georgievsk Treaty of sorts when Georgia exchanged Russia's military presence on its territory for Moscow's assistance in building up its armed forces and restoring territorial integrity in particular. Whereas in 1783 (when the Treaty of Georgievsk was signed) Russia acted against Turkey and Iran by helping Georgia restore its territorial integrity, in the 20th century it was expected to abandon the separatist regimes of Sukhumi and Tskhinvali to their fate in order to make them more flexible at the negotiation table and finally determine their status within Georgia. This explains the inordinate popularity of the formula "the keys to Abkhazia are found in Moscow" among the Georgian leaders.

There were enough enthusiasts in Georgia in favor of "settling the problems with Russia's help," as well as those who believed the course to be erroneous, not to say pernicious. Later developments confirmed that the pessimists were right: Russia, which chose to ignore the republic's national-state interests, undermined Georgia's pro-Russian orientation.

Tbilisi was seeking the Kremlin's good will in vain. Russia did nothing to help the republic build up its armed forces, nor did it promote talks with the separatists. The State Duma did not ratify the framework agreement signed in Tbilisi. Moscow did not deem it necessary to take Georgia's interests into account, or it was convinced that restored territorial integrity would deprive it of its manipulation tools. Everything the Russian politicians and analysts were saying at that time showed that they never regarded Georgia as a factor to be reckoned with; Russian geopoliticians never discussed the territorial integrity issue, but instead looked forward to the republic's further fragmentation.

The events of May 1998 in the Gali District confirmed beyond a doubt that Russia's mediation was not the key to conflict settlement. It was expected that Georgia would restore its control over the district with the Kremlin's tacit consent, however the operation ended in disaster: the separatists drove away thousands of people who returned to their homes.

The Shevardnadze government continued seeking "the keys to conflict settlement in Moscow" even after the Gali catastrophe, but success looked less and less possible. Since 1999 relations between the two countries have been rapidly going downhill under the pressure of the following factors:

- The beginning of second Chechen war in which Georgia did not support Russia;
- Projects for transiting Caspian energy resources;
- The beginning of withdrawal of the Russian military bases from Georgian territory to which Russia was forced to agree at the Istanbul OSCE summit in 1999.⁸

Maneuvering between Russia and the West (1998-2003)

Since the late 1990s Shevardnadze has been exhibiting clear determination to maneuver between Russia and the West; the first signs of his new course, however, could be observed even earlier. At first, his Westward movement was hesitant; however in 1998 the Western bias became obvious mainly because of the planned transit of Caspian energy resources across Georgia. The decision on the Baku-Tbilisi-Ceyhan pipeline had been reached earlier; and the Baku-Supsa pipeline was commissioned in

⁸ See: *History of Georgian Diplomacy*, Tbilisi, 2003, pp. 632-633 (in Georgian).

1999. It was planned to lay another pipeline across Georgia to connect Baku and Erzurum in Turkey. President Shevardnadze has written that “Russia could not accept the transit routes across Georgia and did everything—openly or clandestinely—to thwart the plans.”⁹

The Georgian authorities intensified their efforts to involve the West in conflict settlement and normalization of their relations with Moscow; they demonstrated no mean activity in GUAM, in November 2002 President Shevardnadze made public his country’s NATO ambitions, but the president took the trouble to balance out his Westward bias with concessions to the Kremlin.

This was done for the sake of continued stability and because of the desire to finally achieve a balance between the interests of the large states in the region. President Shevardnadze’s opponents ascribed his downfall to his foreign policy course. According to A. Chikvaidze, foreign minister of Shevardnadze’s time, his regime fell because its foreign policy of the last few years was “insubstantial, it lacked principles, and was absolutely pointless.”¹⁰

The Rose Revolution and an Attempt to Hastily Integrate with the West (2003-2008)

Toward the end of the Shevardnadze regime criticism of the “maneuvering policies” intensified. A lot was said about the president’s indecision when it came to drawing closer to the West. Mikhail Saakashvili and his government brought to power by the Rose Revolution steered the country toward rapid integration with the West and openly supported the velvet revolutions across the CIS. Russia was irritated despite the new regime’s obvious intention to improve bilateral relations: a fresh start and open doors to Russian money were meant to be a sugar-coated pill to help Russia accept Georgia’s Euro-Atlantic integration.

This period was full of ups and downs in the two countries’ bilateral relations: there were “thaws” as well as Moscow’s economic sanctions against Georgia and rising tension in the conflict areas.

The Georgian authorities never hesitated to inform the world about Russia’s “creeping aggression” and its attempts at annexing parts of Georgia’s territory.

The course toward rapid integration into the Euro-Atlantic structures declared by the new rulers brought to power by the Rose Revolution failed; the country’s pro-Western orientation did not help it restore its territorial integrity, however Western support became more tangible.

Today, the relations between Georgia and Russia have once more reached a critical point. Russia has recognized the separatist regimes in Georgia, thus confirming the fact that Russia’s peacekeeping was nothing more than a smokescreen for its annexationist intentions.

⁹ E. Shevardnadze, *op. cit.*, p. 451. Eduard Shevardnadze recalls his conversation over the phone with Boris Yeltsin the day after the failed assassination on 9 February, 1998, during which the president of Russia insisted that Georgia reject the project designed to move Caspian fuels across its territory. “Yeltsin used the tone of a first secretary of the C.C. communist party as if he were instructing a secretary of a republican communist party,” writes Shevardnadze. His demand was left unheeded: “No matter how great Russia’s threat was, I could not betray the interests of Georgia, go against my word to Aliev, or turn away from Turkey and the United States that supported us” (pp. 455-456).

¹⁰ A. Chikvaidze, *Political Chess Games*, Tbilisi, 2004 (in Georgian). According to the author, “during the last five years Shevardnadze ‘changed’ his political priorities all the time. The inverted commas mean that the dangerous game between Russia and America, the never-ending stream of lies from one side or the other, and the hilariously wide amplitudes never fit into the priorities range... Naturally enough Moscow and Washington finally abandoned their unreliable and hardly determined partner” (p. 318).

REGIONAL CONFLICTS

**THE “FROZEN CONFLICT”
THAT TURNED HOT:
CONFLICTING STATE-BUILDING ATTEMPTS
IN SOUTH OSSETIA**

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

The South Ossetians living under the authority of the unrecognized Republic of South Ossetia make up one of those peoples, like their fellow Caucasians the Abkhazes or the Transnistrians, trapped in a complete juridico-political limbo. The political entities that “claim the monopoly of the legitimate use of physical force”¹ over them are not those juridically representing them in the international arena. Having met three of the four criteria required to be recognized as a

state according to the Montevideo Convention on the Rights and Duties of the State (1933)—that is to say, having a permanent population, a defined territory and a government—the *de facto* authorities still crave international recognition.² This situation is more than a mere juridical imbroglio. It has concrete and specific repercussions for the people living in these territories.

Stuck in the midst of competing state-building attempts, from the *de facto* authorities wanting to cling to power to the *de jure* authorities

¹ M. Weber, “Politics as a Vocation,” in: *From Max Weber: Essays in Sociology*, ed. by H. Gerth and C.W. Mills, New York, 1957, p. 78.

² [<http://www.yale.edu/lawweb/avalon/intdip/inter-am/intam03.htm>].

trying to extend their influence over the territory, the local population finds itself politicized from all sides. Generally dubbed “frozen conflicts,” especially in the Caucasus (in South Ossetia, Abkhazia and Nagorno-Karabakh) and in Transnistria, this actual denomination ignores the dynamic logic at work in these regions.³ The recent conflict in South Ossetia, triggered by the Georgian assault on Tskhinvali on 7 August and the

following military response by the Russian army, clearly showed the limits of this perspective.

After describing the current political setting in South Ossetia and examining the logic of a “zone of conflict,” this article analyzes the oppositional logic between the competing state-building attempts in South Ossetia, led by Russia and Georgia, respectively. Showing how the local population is literally squeezed between the militarization of both parties, the article contends that South Ossetians themselves ought to be taken into account in order for a genuine state-building process to take root in South Ossetia.

³ See: D. Lynch, *Engaging Eurasia's Separatist States: Unresolved Conflicts and De Facto States*, United States Institute of Peace Press, Washington, 2004, pp. 7-8.

South Ossetia: From the U.S.S.R. to an Undefined Status...

The Republic of South Ossetia has been a *de facto* state since 1992, when South Ossetian forces defeated their Georgian counterparts and secured a partial grip over their territory. The root of the conflict lies in large part in the administrative divisions of the Soviet Union. Divided into four levels (Union republics, autonomous republics, autonomous oblasts and autonomous okrugs), these administrative entities were mostly symbolic under the centralist reign of the Soviet Union. The “ethnic engineering” devised by Moscow was conceived as a means to “divide and reign.”⁴ In institutional terms, the Union republics had a unilateral right to secession, while all other political entities were denied this right. Additionally, the autonomous republics and the Union republics had all the attributes of a state, which was not the case for autonomous oblasts or autonomous okrugs. These features, largely irrelevant during the heyday of Soviet rule, would come to the foreground at the time of the dissolution of the U.S.S.R.

Historically, South Ossetia was included in the Georgian Republic in 1922 as an autonomous oblast, separating it from the Autonomous Republic of North Ossetia which remained in Russia. However, in 1989, in the midst of political turmoil, the Supreme Soviet of the South Ossetian region voted to upgrade its status to the level above that of a region; namely, to that of an autonomous republic within the Georgian Republic. In so doing, they were laying claims to extensive administrative powers. Occurring at a moment of heightened Georgian nationalism, the decision was swiftly revoked by Georgian authorities, which led to a military confrontation between Tbilisi and Tskhinvali. The fighting lasted until 1992, when both parties agreed to a cease-fire.

But even if the small secessionist republic managed then to stand firm before its bigger brother, thanks in part to unofficial military aid from Russia as well as from other Caucasian peoples, its victory could be seen as a Pyrrhic one. It only managed to secure a partial administrative grasp on approximately half of the South Ossetian territory, with a large part of its Georgian villages remaining under Tbilisi's control. This dubious victory also came at a steep price, especially for the civilian population. During the conflict from 1989 to 1992 a large portion of the Ossetian population had to flee the territory and found refuge in North Ossetia. The war also caused significant physical damage,

⁴ See: S. Cornell, “The Devaluation of the Concept of Autonomy: National Minorities in the Former Soviet Union,” *Central Asian Survey*, No. 18 (2), 1999, pp. 185-196.

which can still be noticed easily in South Ossetia. All these factors have profoundly affected the state-building process in the small republic.

These contemporary factors need to be understood in conjunction with the foundations of the state-building process in Ossetia laid down by Soviet federalism. The administrative divisions helped to develop indigenous elites and indigenous institutions, as well as a sense of ethnic self-consciousness.⁵ At all levels of the autonomous hierarchy, the local languages and cultures were aggressively promoted throughout the 1920s.⁶ Later, the reforms initiated by Gorbachev provided political space for the genuine representation of ethnicity and nationalism as a form of popular mobilization.⁷ In this way, “rather than a melting pot, the Soviet Union became the incubator of new nations.”⁸ Some theoreticians of the nation have argued that “the state makes the nation,”⁹ and this process seems to have come to pass in South Ossetia in that the Soviet administrative divisions helped to create in it a sense of common identity that outlived the end of the Soviet Union.¹⁰

Another legacy of the Soviet Union was the administrative practices that strongly affected both the political elites and the political culture of the U.S.S.R. What Stephen Jones said about Georgia is also relevant to South Ossetia: “In Georgia, the Soviet legacy of official nationalism, distrust of one’s opponents, paternalism, hegemonism, censorship, the personalization of politics, and a corrupt and unaccountable bureaucracy had a particularly strong influence on the young state. They were all passed on, virtually unaltered, to the new regime.”¹¹ In fact, the Soviet Union’s institutional legacies have generated particularly inauspicious conditions for the construction of effective state authority.¹² With the ideological clout of communism withering away, the political entities composing the Soviet Union all had a hard time redefining their role to meet the demands of the post-Soviet era. While local government was based mostly on clientelism during the Soviet Union, such practices came to be seen as blatant corruption after the Soviet empire collapsed. This has naturally affected the legitimacy of the political entity as well as the state-building process itself.

Rivaling State-Building Attempts in South Ossetia

In this context, the state-building process in South Ossetia has not gone smoothly. The 1992 referendum on independence organized by the *de facto* authorities of South Ossetia did not lead to official recognition by the international community. However, Tskhinvali has still pursued the course of independence, most notably after the 2001 and 2006 presidential elections won by Eduard Kokoity,

⁵ See: S. Cornell, *Autonomy and Conflict: Ethnoterritoriality and Separatism in the South Caucasus—Cases of Georgia*, Uppsala University, Uppsala, 2002, p. 3.

⁶ See: G. Simon, *Nationalism and Policy toward Nationalities in the Soviet Union: From Totalitarian Dictatorship to Post-Stalinist Society*, Westview, Boulder, 1991, p. 135.

⁷ See: D. Lynch, *op. cit.*, p. 23; G. Smith, V. Law, A. Wilson, A. Bohr, E. Allworth, *Nation-Building in the Post-Soviet Borderlands: The Politics of National Identity*, Cambridge University Press, Cambridge, 1998.

⁸ R. Suny, *The Revenge of the Past: Nationalism, Revolution, and the Collapse of the Soviet Union*, Stanford University Press, Stanford, 1993, p. 85.

⁹ J. Breuilly, *Nationalism and the State*, Manchester University Press, Manchester, 1993; E. Gellner, *Nations and Nationalism*, Cornell University Press, Ithaca, 1983; E. Hobsbawm, *Nations and Nationalism since 1780: Programme, Myth, Reality*, Cambridge University Press, Cambridge, 1990.

¹⁰ For a good study on the effect of Soviet federalism and its ethnic policies, see: O. Roy, *The New Central Asia: The Creation of Nations*, Tauris, London, 2000.

¹¹ S. Jones, “Georgia: the Trauma of Statehood,” in: *New States; New Politics. Building the Post-Soviet Nations*, ed. by I. Bremmer, R. Taras, Cambridge: Cambridge University Press, 1997, p. 515.

¹² See: S. Hanson, “The Uncertain Future of Russia’s Weak State Authoritarianism,” *East European Politics and Societies*, No. 21 (1), 2007, p. 69.

the candidate strongly backed by Moscow. Another independence referendum was held in 2006, once again rejected by the international community as flawed and partial. However, complete independence is not what the region has in mind. It would actually be an impracticable outcome, since there are no proper economic foundations and a population of less than 70,000.¹³ Kokoity recognizes it and is calling officially for reunification with fellow Ossetians in the Republic of North Ossetia-Alania, and hence seeking to become part of the Russian Federation. Russian is one of the region's official languages, the Russian ruble is the official currency, and, in February 2004, Kokoity proclaimed that 95 percent of the republic's population had adopted Russian citizenship.¹⁴ The last initiative certainly laid the foundation for the swift Russian response in August 2008 to the Georgian assault of Tskhinvali, on the pretext that Russia had to protect its citizens. Historically, Russia has helped to stoke the hope of the independence movement,¹⁵ yet it has always stopped short of recognizing the region's claim of independence. That was until 27 August 2008, when President Medvedev officially recognized the independence of South Ossetia and Abkhazia, a move that came in the aftermath of the conflict with Georgia.¹⁶ It remains to be seen whether this decision will lead to further international recognition, by other CIS countries for example, or if Russia is only using South Ossetia's and Abkhazia's recognition as bargaining chips.

The undefined status of the Republic of South Ossetia has reinforced the deep criminalization in the region, notably the smuggling industry, and has helped to perpetuate the economic weakness and deindustrialization process. One of the main reasons for this is the total lack of accountability and transparency in the public affairs of the small republic. For instance, more than 60% of the national budget of South Ossetia comes from Russian funding.¹⁷ This has allowed the *de facto* authorities to neglect basic economic fundamentals and to overlook the importance of tax collection, with logical repercussions on the social bond between the government and its citizens. This has also reinforced the logic of clientelization of the Tskhinvali authorities towards Russia.

The political status quo has also been reinforced by the tacit agreement between Tbilisi, Tskhinvali, and allegedly the Russian peace-keepers, who are actually to support the political status quo while controlling their share of the smuggling industry in the region, especially until 2003. Reinforcing that trend, the Georgian government under Shevardnadze was simply too weak to claim back the territory controlled by the Abkhazian and South Ossetian *de facto* authorities. In fact, when Shevardnadze came to power, Tbilisi had only an uneven control over large parts of its territory bordering the conflict zones. Thus, one of the biggest achievements of Shevardnadze was the dismemberment of private militias operating in these regions.¹⁸ Partially because of this incapacity to claim back the territories of Abkhazia and South Ossetia, the relations between Tskhinvali and Tbilisi have generally been cordial. The South Ossetian president has even openly supported Shevardnadze's bid in his campaign for the Georgian presidency in 2000.¹⁹

¹³ The upper-end estimates for the population of the region fluctuate between 60,000 and 70,000 (see: International Crisis Group, "Georgia: Avoiding War in South Ossetia," *Crisis Group Europe Report*, No. 159, 2004, pp. 5-6).

¹⁴ See: T. German, "Abkhazia and South Ossetia: Collision of Georgian and Russian Interests," *Russie.Nei.Visions*, No. 11, 2006, p. 8.

¹⁵ For instance, in 2007, Moscow hosted the second meeting of the Commonwealth for Democracy and Rights of Nations, an informal group bringing together the leaders of Abkhazia, South Ossetia and Transnistria.

¹⁶ However, Moscow stated in 2007 that it may recognize the two separatist regions of Georgia as independent states if Western powers recognize Kosovo's split from Serbia ("Russia Warns of Kosovo "Precedent" for Separatists," *Reuters*, 24 October, 2007).

¹⁷ Interview with Anatoli Chachiev, Minister of Information of the Republic of South Ossetia, 30 July, 2007, Tskhinvali (see also: C. Lowe, "Money the Big Attraction in South Ossetia," *Reuters*, 26 July, 2007).

¹⁸ See: S. Demetriou, "Rising from the Ashes? The Difficult (Re)Birth of the Georgian State," *Development and Change*, No. 33 (5), 2002, p. 879. However, the process has been completed by Saakashvili.

¹⁹ See: C. King, "The Benefits of Ethnic War: Understanding Eurasia's Unrecognized States," *World Politics*, No. 53 (4), 2001, pp. 545-546.

However, the political equilibrium in the region was modified drastically in 2003, when the Rose Revolution propelled Mikhail Saakashvili and his team of young western-minded technocrats into power. Resolutely anti-status quo, the new team was adamant about bringing back the secessionist regions into the fold. The new Georgian government, strongly supported by Washington, naturally came to clash with the secessionist authorities of South Ossetia. Consequently, military and political skirmishes have cropped up in the region since 2003. An attempt in the summer of 2004 to bring the region back under Tbilisi's control by force of arms backfired badly, costing the lives of 27 people including 17 Georgian soldiers.²⁰ However, this did not hurt the career of the then Interior Minister Irakli Okruashvili, himself a native of South Ossetia, involved in the operation, as he later became defense minister. Addressing reservists on New Year's Eve 2006, the Georgian Interior Minister Irakli Okruashvili famously declared that Tbilisi would restore its hegemony over South Ossetia and would celebrate New Year 2007 in Tskhinvali. In summer 2006, the Georgian military conducted large-scale military exercises dubbed "Kavkasioni 2006" near the conflict zones, in the Orpolo firing grounds, supposedly to show the professionalism of the Georgian Army. However, in an interview during the operation, Okruashvili said that the exercises were meant to show the readiness of the Georgian Army to take back the separatist regions.²¹

This particular situation has helped to create a particular state of mind in South Ossetia that is closer to that found in an actual conflict than in what we might call a "frozen conflict." The local population is literally squeezed by the oppositional logic of the two main actors. On the one hand, the local population fears a Georgian invasion and its effects. Living only 80 to 100 kilometers away from Tbilisi and with Georgian military outposts visible from the main place in Tskhinvali, inhabitants of the capital live in a state of constant fear about military action. This state of fear has been reinforced by numerous skirmishes between South Ossetian and Georgian militias, which have rendered the threat of a Georgian invasion even more tangible to the South Ossetian population. Moreover, ongoing Georgian militarization is doing nothing to lessen the fears of the local population.²² On the other hand, the South Ossetian leadership has put into place a massive system of repression to face the eventuality of a Georgian attack and to quiet any dissent in South Ossetia. The militarization of South Ossetia can be seen everywhere, but especially in Tskhinvali, where armored trucks and soldiers are simply part of the landscape. Maybe more disturbing for the local population is the fact that the provision of security is not really in the hands of South Ossetians *per se*. Actually, Russia has appointed its own officials to key posts in Tskhinvali. The prime minister, Mr. Yuri Morozov, the defense minister, Lt-General Anatoly Barankevich, and the security chief, Mr. Anatoly Yarovoy, are all affiliated to a certain extent with Russian intelligence services. In the words of one independent NGO leader in Tskhinvali, the fact that security is assured mainly by Russia drastically changes the situation. With a population of approximately 20,000 (the numbers are probably inflated according to most of the accounts), Tskhinvali is a small city indeed, and it is hard not to know everyone. However, the Russian security personnel, mainly North Ossetians, live away from the city and are less prone to entertain friendly contacts with independent-minded individuals. Thus, repression comes easily from these battalions, which are perceived as obedient supporters of the *de facto* institutions.²³

The local population is stuck in the middle of this dual process of militarization. Independent activists, whether NGO leaders, businessmen or students, are few and far between in Tskhinvali,

²⁰ See: L. Fuller, "Georgia: Tbilisi Ups the Ante Over South Ossetia," *Radio Free Europe/Radio Liberty*, 29 March, 2007.

²¹ See: "Okruashvili is Pushing Georgia to War," *InfoRos*, 3 July, 2006.

²² The defence budget of Georgia reached \$600 million in 2007. To give a comparison, the total budget of Georgia in 2003 was around \$600 million.

²³ Interview with a South Ossetian NGO leader, 30 July, 2007, Tskhinvali.

and one of the reasons for this is that the dynamic of a conflict tends to annihilate all spaces for independence and neutrality. The actual conflict between South Ossetia and Georgia tends to empower radicals and to silence dissent. In this context, most of the inhabitants of South Ossetia feel that they are made to choose between cholera and the plague. On the one hand, Saakashvili embodies the nationalistic rhetoric that prompted the conflict in the first place. He is mostly seen as assimilationist, centralist, and a menace to the specific culture of South Ossetia. He is also perceived as too Western-oriented, which would threaten the specific relationship South Ossetians maintain with Russia, which goes beyond the institutional relationship between Moscow and Tskhinvali. Most of the South Ossetians have been offered Russian passports, and hence Russian citizenship, by Moscow. As Shaun Walker reports: "A Russian passport is akin to a lifeline for South Ossetians—a way to get an education or a job in North Ossetia or Moscow. There are very few jobs in the region, so most families have at least one person working in Russia and sending money home. It becomes obvious when talking to people that reintegration into the Georgian state will not be an easy process—to start with, only the eldest generation even speaks the language. People would not be able to get jobs or study in Tbilisi—Russia provides them with their only chance to make something of their lives."²⁴

However, on the other hand, the current South Ossetian leadership is seen as corrupt and detached from the real needs of the population. Any attempt to address the governance issue in South Ossetia is perceived as national treason by the authorities and might get you on the "Georgian spy list."²⁵ If ardent supporters of Kokoity and his political circle are rather difficult to find in South Ossetia, it is also difficult to find people speaking overtly against the regime. Economically and politically strangled, South Ossetians are increasingly leaving the region to find economic opportunities elsewhere, notably in Vladikavkaz, in Northern Ossetia, thereby depriving the region of essential workforce for the future.

The Effects of the Militarization of the Region on the Local Population

A real process of state-building in South Ossetia, either inside a federal Georgia or as an autonomous state (later joining the Russian federation), will have to build genuine trust with the local population. None of the state-building attempts is actually taking into account the needs of the local population. There was an attempt to win the "hearts and minds" of South Ossetians in the first moment of the Saakashvili presidency, especially after the "Second Rose Revolution," when Aslan Abashidze was peacefully ousted in May 2004 in Ajaria, another *de facto* entity inside Georgia that flirted with declaring independence. At this time, Saakashvili notably proposed to restore the railway link between Tskhinvali and the rest of Georgia, the distribution of pensions from Georgia's state budget to the populations living in the breakaway region, the launching of news broadcasts in the Ossetian language on Georgia's state-run television, the provision of a free emergency ambulance service for the Tskhinvali population and the distribution of agricultural fertilizers.²⁶ However, the "hawks" in the Georgian administration, notably Okruashvili, rapidly gained influence in the govern-

²⁴ S. Walker, "South Ossetia: Russian, Georgian... Independent?" *Open Democracy*, 15 November, 2006.

²⁵ This list is rather long and includes all individuals suspected to work undercover for Georgian interests. It notably includes various businessmen, journalists, and South Ossetians working for international organizations as the OSCE.

²⁶ See: G. Sepashvili, "Saakashvili Sends Reconciliatory Signals to South Ossetia," *Civil Georgia*, 1 June, 2004.

ment, which led to the marginalization of moderate voices, like the minister of conflict resolution, Giorgi Khaindrava.²⁷ Thus, most of the previous propositions became dead letter, and the focus shifted instead to finding a more pro-active way to resolve the conflict.

With the military operation of 2004, Tbilisi lost all the room of maneuver that they previously acquired after the resolution of the Ajarian crisis. Specifically, the closure of the Ergneti market at the border of the Georgian and South Ossetian disputed territories, just before the military operation itself, was widely resented by the population.²⁸ If the market was a well-known hub of smuggling activities with Russia, it was also a very important point of contact between Ossetians and Georgians and provided economic opportunities to the South Ossetians. One South Ossetian trader summed up the situation in 2002: "If the market closed, it would be very bad for both the Georgian side and the Ossetian side because it is the only source of life for both sides. Everyone knows that the factories do not work. And this market in Ergneti feeds a lot of people."²⁹ As anticipated by the trader, the closure of the market intensified the economic problems for South Ossetians while pushing them to turn even more to Russia's help. According to a Georgian deputy from South Ossetia, the market employed more than 3,000 people before its closure, both Ossetians and Georgians, and its closure brought very negative results.³⁰

Paradoxically, Georgia's militarization and its failed attempt to oust the *de facto* leadership of South Ossetia have managed to give an ethnic dimension to a conflict that was mostly deprived of ethnic references at the outset.³¹ In fact, it was arguably the greatest gift to the Tskhinvali leadership that Georgia could give. Everyone recognizes, in Tskhinvali as well as in Tbilisi, that we are not dealing with an interethnic conflict *per se*.³² By closing the Ergneti market and then engaging in a conflict with the secessionist authorities, the Georgian authorities only confirmed Tskhinvali's propaganda, portraying Georgia as an enemy to the South Ossetian people. It also gave them an excuse to step up the security measures and political repression in the region.³³

Hence, part of the problem seems to be that officials in Tbilisi are unwilling to engage with the demands of the Ossetian people at any level. "We are not talking about what the South Ossetians want; there are only 10,000 people in Tskhinvali anyway," says Georgian Deputy Defense Minister Mamuka Kudava. "It makes no sense to talk about what the South Ossetians want. This is about Georgia and Russia."³⁴ If Georgia and Russia are certainly crucial actors in this drama, the

²⁷ See: N. Lemay-Hébert, "La Géorgie prise entre évolution et révolution: la (re)construction de l'État géorgien en questions," *Transitions et sociétés*, No.11, 2006, pp. 39-47.

²⁸ See: T. Freese, "A Report from the Field: Georgia's War Against Contraband and Its Struggle For Territorial Integrity," *SAIS Review*, No. 25 (1), 2005, pp. 112-113.

²⁹ R. Santana, "South Ossetia Market Important for Local Economy," *VOA NEWS.COM*, 13 February, 2002.

³⁰ See: "Local MP Says Ergneti Closure a Mistake," *Civil Georgia*, 22 June, 2005.

³¹ Interview with Dov Lynch, Senior Research Fellow, EU Institute for Security Studies, 1 June, 2005, Paris.

³² Interview conducted in Tbilisi and Tskhinvali, 2006-2007. For Tskhinvali, the human rights violations committed by Georgia impede any federal solution for the conflict, while for Georgia, Russia and its puppet regime hinder all meaningful process of conflict resolution to happen.

³³ As one observer noted after the 2004 events: "An atmosphere of fear now prevails in Tskhinvali region. In recent weeks, there have been various reports of beatings, arrests, and officials losing their positions for communicating with Georgians. Residents report that Tskhinvali authorities have built trenches, delivered arms to unauthorized persons, and that troops with heavy military equipment have entered Ossetia from the North Caucasus. Meanwhile, Georgian peacekeepers and Ministry of Interior troops have set up camp along the conflict zone" (T. Freese, "Will Ossetians Embrace Georgia's Initiative?" *Central Asia-Caucasus Institute*, 2004, available at: [http://www.cacianalyst.org/view_article.php?articleid=2455]).

³⁴ S. Walker, "South Ossetia Looks North," *IISS Press Coverage*, 2006, available at [<http://www.iiss.org/whats-new/iiss-in-the-press/press-coverage-2006/july-2006/south-ossetia-looks-north/>]. In the same line, Saakashvili stated in 2005 that: "There is no Ossetian problem in Georgia. There is a problem in Georgian-Russian relations with respect to certain territories. I have repeatedly said that Russia is a great country with lots of territories, but its borders certainly do not lie on the Inguri river or the Ergneti market" (*President of Georgia official website*, "Georgian President Outlines Three-Stage Development Strategy at the News Conference," 9 September, 2005, available at [http://www.president.gov.ge/print_txt.php?id=617&l=E]).

lack of consideration of South Ossetians and their desires has certainly hindered the state-building process conducted by Georgia so far.

The Rise of Dmitry Sanakoev: More of the Same in South Ossetia

However, starting in 2006, a new Georgian strategy for the resolution of the separatist conflicts began to take shape. Saakashvili decided to adopt a political strategy and to put into place a “Provisional Administrative Entity of South Ossetia” in 2006, composed of ethnic Ossetians, to counter any claim of independence by the *de facto* authorities. Based on the “Salvation Union of South Ossetia,” a group of outspoken critics of the regime headed by the former defense minister and then prime minister of the secessionist government Dmitry Sanakoev,³⁵ the movement organized a parallel presidential election in districts mainly controlled by Georgia. Both elections showed Brezhnevian results, with above 90% of voters voting for their respective candidates.³⁶ Furthermore, to retaliate against the independence referendum held by the authorities of Tskhinvali, the alternative government held a referendum asking for the start of negotiations with Georgia on a federal arrangement for South Ossetia (which also reached the threshold of 90%).

Some see the rise of Sanakoev as recognition by the Georgian authorities of the need to take into account the South Ossetian population. However, this strategy seems to be little more than a continuation of the same policy of pressuring the *de facto* authorities, whether by military or by political means. The need to convince other Ossetians to join the movement does not seem to be a priority for Vladimir Sanakoev, brother of Dmitry Sanakoev and believed to be the *éminence grise* of the movement.³⁷ His attention and energy are mainly turned to Russia and to attracting international recognition for the parallel government. If there is a will to promote economic improvement, notably by distributing rehabilitation and development aid in the zone of conflict, many of the proposed projects remain to be put in place.

While Sanakoev blames Kokoity for being a stooge for Russia and boasts of being the true voice of ethnic Ossetians, he seems pretty closely tied to Georgian interests. As the International Crisis Group stated, “It is evident that the Georgian government helped create Sanakoev. He himself admits Georgian help was key, and he openly cooperates with Tbilisi, which is engaged in a not so subtle effort to build his credibility.”³⁸ One sign of this proxy war between Georgia and Russia is the flags waved in the respective capitals of the political entities. In Kurta, the capital of the new entity led by Sanakoev, the flags of Georgia and South Ossetia fly alongside, while couple of kilometers away, in Tskhinvali, the Russian and South Ossetian flags are displayed. Actually, the parallel government is trying to stay discrete about the fact that it is mostly based in Tbilisi, in a small, low-key building, and only occasionally goes to Kurta in the conflict zone.³⁹ The appearance of Sanakoev side by side with Georgian officials, notably when he made a speech at the Georgian Parliament in 11 May, 2007, has also not helped to draw support from ethnic Ossetians for the parallel institutions. During this meeting, he was

³⁵ He was appointed defense minister in 1996 and vice prime minister in 1998, under the presidency of Ludvig Chibirov. He served until 2001, when Eduard Kokoity replaced Chibirov as South Ossetia’s leader.

³⁶ Kokoity was reelected with 98.1 percent of the vote, while Sanakoev received 94 percent of the vote in the parallel election.

³⁷ Interview with Vladimir Sanakoev, spokesman of the government of South Ossetia, 30 July, 2007, Tbilisi.

³⁸ International Crisis Group, “Georgia’s South Ossetia Conflict: Make Haste Slowly,” *Europe Report*, No. 183, 2007, p. 5.

³⁹ Interview with a political adviser to Dmitry Sanakoev, 26 July, 2007, Tbilisi.

appointed formally to a Georgian government position and his movement is now funded from the state budget. Such support of the parallel government seems to be aimed at preventing the Kosovar precedent to take root in the region by means of bringing a new interlocutor in the conflict resolution process that could plausibly claim to represent the will of the South Ossetian people.⁴⁰ But as the International Crisis Group has reported, the closeness of the parallel institutions and the Georgian government is actually alienating the broader Ossetian constituency.⁴¹

Contrary to all intentions, this shift of Georgian strategy for conflict resolution from the military to the political realms, far from easing the tensions in South Ossetia, has tended to reinforce the state of fear in South Ossetia. One of the biggest fears in South Ossetia is a military escalation that will end up as a proxy war between Russia and Georgia through the intermediary of their Ossetian allies.⁴² On the one hand, Sanakoev was supposedly building up a 150-strong special forces unit in Kurta, only 5 km away from Tskhinvali.⁴³ Such proximity increases the risks of escalation already inherent to the volatile situation in South Ossetia. On the other hand, the *de facto* authorities have no strategy for countering the rise of Sanakoev.⁴⁴ They are not trying to attract international support to counter the rising influence of Sanakoev, instead relying exclusively on the military option in case of escalation.⁴⁵ Even more concerning, the youth branch of the movement seems even more radical than the officials in power and are bracing themselves for a military confrontation with the Georgian authorities.⁴⁶ Not having taken part in the previous war, a military conflict with Georgia has a romantic appeal to it. Hence, these evolutions combined do not indicate a change of mentality in the conflict resolution of South Ossetia but are rather bound to reinforce the logics of a “zone of conflict” in the region.

C o n c l u s i o n : How These Logics Unfolded in August 2008

The recent Russian-Georgian conflict, triggered by the Georgian assault on Tskhinvali on 7 August, clearly shows the competing state-building logics at work in South Ossetia. 170 Georgian soldiers and 69 ethnically-Georgian civilians were killed during the conflict according to official account, but the death toll could be ten times higher according to the local press in Georgia. On the South Ossetian side, the Russian authorities stated that more than 2,000 civilians perished during the conflict. Even if these numbers are inflated, it is hard to negate the suffering the South Ossetians have gone through during this war. Human Rights Watch estimated that more than 24,000 South Ossetian civilians have

⁴⁰ Interestingly, one of the first acts of Sanakoev as a member of the Georgian government has been to go to Brussels to address the European Parliament concerning the political situation prevailing in South Ossetia (see: “Dimitri Sanakoev Gave Speech in Brussels,” *Medianews*, 26 June, 2007). Moreover, according to the political analyst Zaal Anjaparidze, “The wording, idea and political message of Dmitry Sanakoev’s address revealed a ‘Georgian editor,’” Z. Anjaparidze, “The Sanakoev Operation,” *Eurasian Home*, 2007, available at [<http://www.eurasianhome.org/xml/t/expert.xml?lang=en&nic=expert&pid=1162>].

⁴¹ See: International Crisis Group, “Georgia’s South Ossetia Conflict: Make Haste Slowly,” p. 2.

⁴² Interviews conducted in Tskhinvali, Summer 2007, especially with Temur Tskhovrebov, former commander of the South Ossetian Army and director of the NGO “Former Combatants” in Tskhinvali, 29 July, 2007.

⁴³ See: International Crisis Group, “Georgia’s South Ossetia Conflict: Make Haste Slowly,” p. 4.

⁴⁴ Interview with Alan Pliiev, vice minister of foreign affairs, Tskhinvali, 30 July, 2007.

⁴⁵ Unlike the Abkhaz *de facto* authorities, which strive to attract international support to counter the Abkhaz Government in exile. Interviews conducted in Sukhumi, summer 2007, especially with Maxim Gunjia, vice minister of foreign affairs, and Sergei Shamba, minister of foreign affairs, 9 August, 2007.

⁴⁶ Interviews conducted in Tskhinvali, Summer 2007.

had to flee the region and take refuge in North Ossetia.⁴⁷ Many Georgians living in South Ossetia have also been forced out of their homes and are currently living in Tbilisi, without being able to reintegrate their communities. The number of ethnically-Georgian refugees can be as high as 130,000, if we include the refugees from Gori and the villages included in the so-called buffer zone between Gori and the South Ossetian administrative border.

The brief war ignited by Tbilisi's impatience with the slow pace of political change in South Ossetia clearly shows how both parties value (or neglect) the population living in South Ossetia. It is safe to say that both Georgia and South Ossetia, supported by Russia, have indulged in various degrees of ethnic cleansing in South Ossetia, given the high number of refugees on both sides and according to local accounts.⁴⁸ Furthermore, according to Human Rights Watch, both parties have used cluster bombs during the war. According to Marc Garlasco, a senior military analyst at Human Rights Watch, this weapon is well-known for being "indiscriminate killers that most nations have agreed to outlaw," notably because of their capacity to kill and maim civilians.⁴⁹

Squeezed in this oppositional logic, the local population and its needs have been largely neglected up to now by both parties. Stuck between a kleptocratic self-appointed clique and a beligerent, nationalistic government, the local population has not been treated as an actor in this process but more as bargaining chips in the great conflict between the *de facto* authorities, Russia and Georgia. As a matter of fact, the future looks grim for the war-stricken South Ossetian population. On the one hand, there is serious concern that Russia, and then South Ossetia if they take over this responsibility, will not allow the return of the Georgian refugees in South Ossetia. Taking as an example the Abkhaz model, South Ossetia might consider the ethnic Georgians as a possible obstacle in the way of South Ossetia's state consolidation. Hence, they might hinder the repatriation process, forcing them to share squalid hotels in Tbilisi with Abkhaz refugees.⁵⁰ Fueling this fear, Eduard Kokoity has indicated that ethnic Georgian villages in South Ossetia will be resettled with Ossetian refugees.⁵¹ On the other hand, the process of state consolidation will most certainly embolden the self-proclaimed government of South Ossetia and lead it to continue using the same tactics to strangle moderate voices. In this regard, the future of the state-building process in South Ossetia could be similar to what we have seen in Chechnia, with all powers in the hands of an unrepresentative clique, vowing allegiance to the Kremlin. Furthermore, the economic perspective of a reunified Ossetia can also be cast into doubt, South Ossetians sharing a lot of mutual interests with their Georgian neighbors. As this article contends, for a real and sustainable state-building process to take place, South Ossetians need to be perceived as a real and vital actor in the process. There are real opportunities to alleviate the negative effects of the conflict, which have not been fully taken by the main actors in this process. However, the logic of confrontation adopted thus far by all parties has diminished these opportunities and consolidated the divisions between the two entities.

⁴⁷ The number can be as high as 30,000, although at least 25,000 of them have now returned to their homes, the United Nations High Commissioner for Refugees (UNHCR) said.

⁴⁸ See: J. Hider, "Russian-Backed Paramilitaries Ethnically Cleansing Villages," *The Times*, 28 August, 2008, available at: [<http://www.timesonline.co.uk/tol/news/world/europe/article4621592.ece>].

⁴⁹ See: M. Tran, "Georgia Admits Dropping Cluster Bombs, Says Rights Group," *The Guardian*, 1 September, 2008, available at: [<http://www.guardian.co.uk/world/2008/sep/01/georgia.russia?gusrc=rss&feed=worldnews>].

⁵⁰ See: "U.N.: Georgians Effectively Blocked from Homes," *Associated Press*, 30 August, 2008.

⁵¹ See: D. Bilefsky, M. Schwartz, "For Thousands of Refugees from the Conflict in Georgia, the Fear Lingers," *The New York Times*, 1 September 2008.

CHECHNIA—THE OSCE EXPERIENCE 1995-2003

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The OSCE Field Operations

Gradually evolving from the embryonic *détente* initiatives of the 1970s, and having braved the Charybdean rocks of the still lingering Cold War of the 1980s, the Organization for Security and Cooperation in Europe (OSCE) finally emerged as a full-fledged international organization with the renaming in 1995 of what had previously been known as The Conference for Security and Cooperation in Europe (CSCE). On its website, the OSCE now boasts of being “the world’s largest regional security organization whose 55 participating States span the geographical area from Vancouver to Vladivostok.”¹ The objectives of the OSCE are, broadly speaking, concerned with early warning, conflict prevention and post-conflict rehabilitation. Its listing of activities also includes such tasks as anti-trafficking, arms control, border management, combating terrorism, conflict and democratization.

The OSCE’s main tools in carrying out these tasks are its *field operations*. Acting under the directions from the OSCE Secretariat in Vienna, and under the general auspices of the organization’s Chairman-in-Council, the field operations comprise a number of rather diverse groups—each one with a specific mandate according to the problem(s) to be addressed in their respective operational areas.

At the time of the writing (February 2008), the OSCE maintains 19 field operations in South-Eastern Europe, Eastern Europe, the Caucasus and Central Asia. These are the following:

- OSCE Presence in Albania
- OSCE Mission to Bosnia and Herzegovina
- OSCE Mission to Croatia
- OSCE Mission to Serbia and Montenegro
- OSCE Mission in Kosovo
- OSCE Spillover Monitor Mission to Skopje
- OSCE Office in Minsk
- OSCE Mission to Moldova
- OSCE Project-Coordinator in Ukraine
- OSCE Office in Baku
- OSCE Mission to Georgia
- OSCE Office in Erevan

¹ See [<http://www.osce.org>].

- Personal Representative of the Chairman-in-Office on the Conflict Dealt with by the OSCE Minsk Conference
- OSCE Center in Astana
- OSCE Center in Ashghabad
- OSCE Center in Bishkek
- OSCE Project Coordinator in Uzbekistan
- OSCE Center in Dushanbe

Nine OSCE field operations which were previously in business, have subsequently been closed down. These were:

- OSCE Missions of Long Duration in Kosovo, Sandjak and Vojvodina
- OSCE Kosovo Verification Mission
- OSCE Representative to the Joint Committee on the Skrunda Radar Station
- OSCE Mission to Ukraine
- OSCE Mission to Estonia
- OSCE Mission to Latvia
- OSCE Advisory and Monitoring Group in Belarus
- OSCE Center in Tashkent
- OSCE Assistance Group to Chechnia

The last on this list—the OSCE Assistance Group to Chechnia, in which the author of this article served as Head of Mission from January 1999 to January 2000—was in existence from 1995 to 2002. The purpose of the present article is to give an account, including a modest attempt of making an analysis, of the endeavor and the modalities (including the obstacles) which the OSCE involvement in the Chechen issue entailed.

A Small Victorious War

In 1904, the then Russian Interior Minister Viacheslav Plehve called for “a small victorious war to avert the revolution”—a piece of advice that led to the calamities of the Russo-Japanese war and the subsequent uprisings in 1905. Ninety years later, in November 1994, the same phrase was repeated by Oleg Lobov, the Secretary of the Kremlin Security Council, suggesting that a small victorious war in Chechnia would ensure Boris Yeltsin’s re-election as President.² On 11 December, 1994 Russia started a military campaign in order to “restore constitutional order” in the Chechen Republic, and although Yeltsin eventually did win his reelection, the war was an unmitigated disaster.

For any war—large or small—to be truly “victorious,” the victor also needs to win the hearts and minds of the vanquished people. Or, if that is too tall an order, at least win some modicum of legitimacy. These things are usually easier said than done. For three centuries, the Russian (or Soviet) Empire has tried to conquer Chechnia and the Chechens, so far with mixed or limited success. Repeated large-scale attempts by the Imperial Power (General Yermolov from 1818 and for decades onwards, Stalin’s wholesale deportation in 1944) at annihilation of their nationhood have left an indelible imprint on the collective memory of the Chechen people. And now again, in less than one decade, the

² As quoted in the *Introduction*, p. xii, to C. Gall, Th. de Waal, *Chechnia—A Small Victorious War*, London, 1997.

region has seen two wars which have brought death, misery and immense destruction. In the successive Chechen wars and the still ongoing, low-intensity but sustained guerrilla-type conflict, there are no victors. Peace, stability and “normalcy” seem as elusive as ever.

The Chechen Conflict

The mighty Russian Empire against tiny Chechnia is obviously an uneven match. It is an asymmetrical conflict—not only in terms of relative size/strength/resources, but also in terms of how it is perceived by the parties.³

From the Chechen point of view, the conflict was and remains a “struggle against the colonial oppressor,” including “fighting for national self-determination, and ultimately defending the Chechen people against the threat of genocide.” By implication, the conflict is also seen as an *international* matter, which should be dealt with as such.

From the point of view of the imperial power, the issue—predictably—was defined in rather different terms. Russia has always insisted that Chechnia is an *internal* Russian matter and that the conflict should, consequently, be dealt with as a domestic problem without any outside interference. Thus, during the 1994-1996 war, the official Russian position (which commanded only lukewarm enthusiasm) was declared to be the task of “restoring constitutional order.” When military operations were resumed in 1999, the prevailing view of the issue had, however, been re-defined as the apparently more inspiring “defending Russia’s territorial integrity and combating terrorism.”

With this changed approach—which coincided with Mr. Vladimir Putin’s rise to power—the Russian government succeeded in winning over its own domestic public opinion in favor of its hard-line policy. Also, the change in the international mood since “the first Chechen war” (i.e. the 1994-1996 conflict) was striking. The predominantly sympathetic attitude toward the “freedom fighters” had, by the summer of 1999, largely evaporated and been replaced by disgust and suspicion at the “terrorists.” The reasons were, broadly, twofold; (a) gross Chechen mismanagement of own affairs, including the ugly specter of hostage-taking and brutal murders; and (b) the largely successful Russian policy in managing information and news (including skilful diplomacy), thereby manipulating public opinion at home and abroad.

If the so-called international community still harbored some misgivings with Russia’s handling of Chechnia, such sentiments were conveniently silenced in the aftermath of the 11 September, 2001 terrorist attacks on the United States. Thus, in October 2001, the *International Herald Tribune* could describe the new prevailing mood as follows⁴: “President Putin has made remarkable progress in his campaign to conflate his brutal military campaign in Chechnia with the new U.S.-led war against terrorism. Last week President George W. Bush publicly agreed with Mr. Putin that terrorists with ties to Osama bin Laden are fighting Russian forces in the predominantly Muslim republic, and said they should be ‘brought to justice.’ Since then the Bush administration has begun taking concrete action in support of Moscow.”

The OSCE Involvement: The Assistance Group and its Tasks...

With a situation like the one which had unfolded in Chechnia in the middle 1990s, characterized *inter alia* by the apparent inability of conflicting parties to sort out their differences on their own, it

³ Cf. the relevant passage in: O.G. Skagestad, “How Can the International Community Contribute to Peace and Stability in and around Chechnia,” in: *Chechnia: The International Community and Strategies for Peace and Stability*, ed. by L. Jonson, M. Esenov, The Swedish Institute of International Affairs, Stockholm, 2000, pp. 121-129.

⁴ “Chechnia is Different,” editorial article in the *International Herald Tribune* (from *The Washington Post*), 5 October, 2001.

does make sense to ask whether and in what way(s) assistance from the outside could contribute toward such ends.

Enter the elusive concept of “the International Community:” In the broadest sense, the international community may be understood to encompass the totality of concerned public opinion as represented by national governments; intergovernmental organizations (IGOs); nongovernmental organizations (NGOs); multinational or transnational commercial companies; mass media; and even influential individuals ostensibly acting on behalf of a general public which is believed to support a given cause. Clearly, we are not speaking of a coherent entity which could be readily operationalized. Narrowing the scope would, however, leave the main focus on IGOs as the most prominent bodies to act on behalf of the international community.⁵

The one intergovernmental organization which has a substantive track record of direct involvement in the matter of promoting peace and stability in Chechnia, is the *Organization for Security and Cooperation in Europe*—the OSCE. The following is an attempt to give a presentation of the scope and character of its involvement (which lasted from 1995 to 2003), as well as an account of the issues and obstacles that had to be addressed, and of the experience that can be drawn from this exercise.

Against the background of the hostilities which started in December 1994, the decision to create an OSCE Assistance Group to Chechnia was made at the 16th meeting of the OSCE Permanent Council on 11 April, 1995. The Council also gave the Assistance Group a mandate to carry out the following tasks (to be performed in conjunction with the Russian federal and local authorities, and in conformity with the legislation of the Russian Federation)⁶:

- promote respect for human rights and fundamental freedoms, and the establishment of facts concerning their violation; help foster the development of democratic institutions and processes, including the restoration of the local organs of authority; assist in the preparation of possible new constitutional agreements and in the holding and monitoring of elections;
- facilitate the delivery into the region by international and nongovernmental organizations of humanitarian aid for victims of the crisis, wherever they may be located;
- provide assistance to the authorities of the Russian Federation and to international organizations in ensuring the speediest possible return of refugees and displaced persons to their homes in the crisis region;
- promote the peaceful resolution of the crisis and the stabilization of the situation in the Chechen Republic in conformity with the principle of the territorial integrity of the Russian Federation and in accordance with OSCE principles;
- pursue dialog and negotiations, as appropriate, through participation in “round tables,” with a view to establishing a cease-fire and eliminating sources of tension;
- support the creation of mechanisms guaranteeing the rule of law, public safety and law and order.

The Assistance Group began working in Grozny on 26 April, 1995. Despite the importance and urgency of several of the other tasks included in the Assistance Group’s broad mandate (indeed impossibly broad, but conveniently flexible), the most prominent part of its activities during the following year and a half was—given the immediacy of the armed conflict—the Assistance Group’s *mediation* efforts. Thus, a comprehensive cease-fire agreement was concluded on 31 July, 1995 under the auspices of the Assistance Group. Although not observed, the agreement remained a precedent for further negotiations, with the Assistance Group playing an active role as mediator. Tireless shuttle

⁵ For a more thorough discussion of the prospective relevance of the international community and its agents in the context of the Chechen conflict, see: O.D. Skagestad, *op. cit.*, pp.122-124.

⁶ Cf. OSCE, Permanent Council, 16th Plenary Meeting of the Council, Journal No.16, 11 April, 1995, pp. 2-3.

diplomacy by the then Head of the Group, Ambassador Tim Guldemann, paved the way for talks that led to a cease-fire agreement signed on 27 May, 1996 (also soon broken), and was instrumental in getting the negotiation process back on track that led to the Khasaviurt Agreement of 31 August, 1996, which brought an end to the armed conflict. Besides establishing a cease-fire, the Khasaviurt Agreement had a provision for pulling out all troops, and stipulated that “agreement on the principles of mutual relations between the Russian Federation and the Chechen Republic is to be worked out by 31 December, 2001.” Also under the terms of the Agreement, Presidential and Parliamentary elections took place on 27 January, 1997—under the auspices of (and actually organized by) the OSCE Assistance Group.⁷ The elections, which were monitored by some 200 international observers, were declared free and fair by the OSCE and also recognized by the Russian Federation as legitimate.

...Carried Out in Full

Why would Russia, while stubbornly maintaining that the Chechen conflict was a purely internal affair, allow any measure of intervention by such a conspicuous agent of the “international community” as the OSCE?

With the benefit of hindsight, a plausible proposition would be that in 1995 a “window of opportunity” was created by a combination of several factors, such as:

- (1) A discernible sense of lack of direction and coherence by the responsible federal leadership in their political-military strategy toward Chechnia,—finding themselves in a quagmire of their own making and acting under the sometimes erratic and capricious guidance of Mr. Yeltsin. Thus a situation emerged where the Kremlin decision-makers could be more disposed to accept a form of outside involvement that would also relieve themselves of some of the burden of responsibility;
- (2) Russia’s long-standing inclination to seek a more active role for the OSCE, in line with its general policy of promoting the idea of the OSCE eventually replacing NATO as the paramount all-European security organization. This principled position was no doubt conducive to Russia’s willingness to allow the OSCE to assist in sorting out the crisis—Chechnia offering, as it were, a test case of the credibility of Russia’s professed enthusiasm for expanding the OSCE’s role.

The “window of opportunity” was, however, soon to be closed. By March 1997, the accomplishments of the Assistance Group were substantial, and very evident. At this stage, with the armed conflict having been brought to an end and elections having been held, the general attitude of the parties involved (i.e. the Russian federal as well as the Chechen regional authorities) seemed to have been that the major—and most pressing—tasks of the Assistance Group as envisaged in its mandate had been dealt with successfully and definitively. This view was explicitly laid down in a Statement by the Russian Federation to the OSCE Permanent Council of 13 March, 1997, as follows⁸: “Taking into account the fundamentally new situation that has arisen with regard to the settlement in the Chechen Republic (Russian Federation), the Russian side wishes once again to draw attention to the fact that the part of the OSCE Assistance Group’s mandate which is related to mediation efforts in the context of settling the armed conflict and smoothing the way to negotiations has been carried out in full.

⁷ For a detailed account and analysis of the Assistance Group’s mediation role, see: T. Guldemann, “Supporting the Doves against the Hawks,” in: *The OSCE Yearbook 1997*, Institute for Peace Research and Security Policy at the University of Hamburg (Ed.), Baden-Baden, 1998, pp. 135-143.

⁸ Statement of the Russian Federation, in: OSCE, Permanent Council, 105th Plenary Meeting of the Council, PC Journal No.105, 13 March, 1997, Annex 3, Agenda item 7(d).

The dialog that has begun between the federal authorities and the new leadership in Chechnia as a subject of the Russian Federation is, as is natural, being conducted directly and excludes any mediation efforts whatsoever by the OSCE representatives.

We presume that the work of the Assistance Group has now been refocused on other aspects of its mandate, namely those that relate to essential areas in OSCE activities: monitoring of the human rights situation; assistance in establishing democratic institutions and in ensuring the return of refugees and displaced persons; and coordination of efforts in providing humanitarian aid.

The Russian side reiterates its willingness to engage in constructive cooperation with the Assistance Group on these issues.”

Thus, although the basic text of the Assistance Group’s mandate remained unchanged, the tasks contained therein were henceforth effectively and substantially restricted in scope.

For a while during the first half of 1997, the Assistance Group continued to be involved in talks between federal and Chechen representatives aimed at signing a detailed agreement on economic issues and peace relations. Of particular importance in this context were the two Accords—a Treaty on Peace and Principles of Mutual Relations and an Agreement on Economic Cooperation—that were signed in Moscow on 12 May, 1997 by presidents Yeltsin and Maskhadov.⁹

Prolonged negotiations were started in order to provide a settlement on the oil problem for the entire region, including transit through Chechen territory and the debts to the Chechen state-owned oil company, as well as the restoration of Chechnia’s oil and chemical complex, and agreements were signed on 12 July and 9 September, 1997. By and large, however, the numerous political and economic agreements proved to be very fragile and failed to make a difference in terms of practical implementation. The Chechen crisis remained unresolved. Talks, as envisaged in the Khasaviurt Agreement, on the political status of Chechnia were resumed on several occasions, but were eventually discontinued as no progress could be made in overcoming the main difference in principle, i.e. Chechnia’s insistence on full independence. At the same time, the difficult—and gradually worsening—internal situation in Chechnia made it progressively more difficult to take any substantial steps toward either a political or an economic settlement. In retrospect, it would thus appear that the dialog between federal and Chechen authorities that should have rendered the Assistance Group’s mediation role superfluous (“...carried out in full”), had soon run out of steam.

Tasks Still to Be Accomplished

From mid-1997 the emphasis of the Assistance Group’s work had changed visibly from mediation to post-conflict rehabilitation and other points of its mandate. In addition to the Russian Statement of 13 March, 1997, other subsequent developments—notably the Accords signed on 12 May, 1997—would necessarily entail a certain reorientation of the Group’s further activities. This was also acknowledged publicly by the then Head of the Assistance Group, Ambassador Rudolf Torning-Petersen, who in an interview with the news agency *Interfax* pointed out that the situation prevailing in Chechnia after the agreements reached between Moscow and Grozny would have an impact on the priorities of the OSCE Assistance Group’s activities, adding that the main direction now would be to render humanitarian and

⁹ It should be noted that the Peace Treaty, in form as well as in substance, had a text which would normally only be found in agreements between sovereign states in the full international legal sense, as in the following excerpt: “*The High Contracting Parties, desiring to put an end to their centuries-old opposition, and endeavoring to establish sound, equitable and mutually advantageous relations, have agreed as follows: 1. That they renounce for ever the use or the threat of force in the resolution of any disputes between them. 2. That they will build their relations on the basis of generally recognized principles and standards of international law [... etc.]*.” The Treaty text, together with the fact that it was signed by the two presidents, for all obvious purposes in their respective capacities as Heads of States, could easily be interpreted as a Russian *de jure* recognition of Chechnia as a sovereign state. That was certainly the view of the Chechen authorities, whereas the Russian side (see below) would subsequently denounce the Treaty altogether.

practical assistance for the peaceful reconstruction of the republic. Despite the substantial scaling-down of the Assistance Group's role, the still operative parts of the mandate left significant tasks yet to be handled. The Russian Statement of 13 March, specifically identified three priority areas, notably:

- monitoring of the human rights situation;
- assistance in establishing democratic institutions and in ensuring the return of refugees and displaced persons; and
- coordination of efforts in providing humanitarian aid.

In addition, there remained the task of supporting the creation of mechanisms guaranteeing the rule of law, public safety and law and order.

Furthermore, a number of problems were and remained particularly crucial in the post-conflict rehabilitation process, including mine-clearing and a solution for ecological problems, especially regarding water and sewage treatment. During 1997-1999 the Assistance Group was involved in numerous activities addressing these and a series of other practical problems connected with the general postconflict rehabilitation needs. Without elaborating on the concrete details, it should merely—and as an understatement—be noted that the Group's mandate remained sufficiently broad and flexible, and obviously related to still existing, real and pressing needs, as to make it unnecessary to invent new tasks in order to justify the Assistance Group's continued existence. Indeed, the pulling-out of other international bodies, leaving the OSCE as the only remaining international organization with a representation in Chechnia, would soon lend yet another important dimension to its continued presence.

At the same time, one cannot but note that developments in Chechnia during 1997-1999 made it progressively more difficult in practical terms for the Assistance Group to perform its tasks.

The Deteriorating Security Environment. Evacuation

Since 1997, the modalities of the Assistance Group's work had increasingly come to be defined by the *security environment*. For years, Chechnia had been a high-risk area, especially for foreigners not protected by the restraints that societal traditions impose on Chechens, including the clan system and the blood vengeance code. In addition to criminal hostage-taking, there was the constant danger of politically-motivated assassinations, such as the murder of six Red Cross expatriate employees at Novye Atagi in December 1996, and the abductions in October 1998 of three British nationals and one New Zealander whose severed heads were found 8 December, 1998. During 1998, the security situation in Chechnia had deteriorated to an extent which made it progressively more difficult for the Assistance Group to perform its tasks in a meaningful way while at the same time observing acceptable standards of safety for its own personnel. Against the backdrop of ever-worsening socioeconomic conditions, crime and unrest acquired endemic proportions. The political unrest was intermingled with militant religious fanaticism, organized crime and a general breakdown of law and order, manifesting itself in ever more frequent outbursts of violence, assassination attempts and other acts of terrorism. In particular, hostage-taking and abductions for ransom money saw a sharp rise and became an all-pervasive evil not only in Chechnia itself but also spilling over into adjoining regions. Hostages were held under miserable conditions, they were widely exploited as slave laborers, and were frequently traded between the criminal groups (including quasi-political organizations and their armed formations) as income-generating commodities. Expatriates, especially those representing organizations believed to be capable of raising huge amounts of ransom money, became prime targets for perpetrators of kidnappings. Hence, virtually all international institutions left the region, terminating their previous activities or, at best, leaving it to their local sub-agencies or partners to carry on. Thus the OSCE Assistance Group—

being the only remaining international body with a representation in Chechnia—had gradually come to be regarded as an increasingly vulnerable and likely target for a possible onslaught by malevolent forces.

Extensive security measures notwithstanding, the Assistance Group was forced four times during 1998 to evacuate its expatriate staff from Grozny to Moscow. The last such evacuation, commencing on 16 December, 1998, was subsequently—by decision of the OSCE Chairman-in-Office¹⁰—prolonged repeatedly in view of the further deteriorating security situation. In order to ensure the continuity and regularity of the Group's on-the-spot operations, working visits to Grozny by members of the Assistance Group were made three times during January-March 1999.¹¹ Events in early March 1999 gave evidence of a further grave deterioration of the overall security environment, and later developments only confirmed this unfortunate trend, with the Interior Minister of the Russian Federation in May issuing a general warning to any outsider staying or traveling in the Northern Caucasus, as nobody was in a position to guarantee the safety of anyone against the threat of abduction.

As was announced at the OSCE Permanent Council meeting on 11 March, 1999, the evacuation regime—although still meant to be a temporary measure—was tightened up to exclude any further travels to Chechnia by Assistance Group members. Thus, the Assistance Group henceforth continued to operate from Moscow, where temporary office facilities were established at the premises of the Embassy of Norway. The understanding was that the Assistance Group would return to Grozny when the Chairman-in-Office would be satisfied that positive and significant improvements in the security situation had occurred. Pending such a development, the Assistance Group would be monitoring the political and security situation in Chechnia from its Moscow office, while at the same time directing the practical activities involving the local staff at the Assistance Group's Grozny office, which—for the time being—remained fully operational with a complete infrastructure.¹²

Developments in 1999— Resumption of Armed Conflict

Since early in 1999, the Chechen side repeatedly expressed the desirability of including a third party—preferably the OSCE—in a hopefully resumed negotiation process with the federal authorities. In a number of talks with high-ranking Russian officials, the Assistance Group time and again confirmed its readiness to undertake such involvement—if and when the parties should so desire.¹³

¹⁰ As Norway held the OSCE Chairmanship in 1999, the Organization's Chairman-in-Office during that year (which also coincided with the period when the author of this article held the assignment as the Head of the Assistance Group) was the then Minister of Foreign Affairs of Norway, Mr. Knut Vollebæk.

¹¹ These working visits enabled the Head of the Assistance Group to have extensive talks and meetings with the Chechen authorities, including President Aslan Maskhadov and his Press Secretary Mairbek Vachagaev, First Deputy Prime Minister Turpal-Ali Atgeriev, Deputy Prime Ministers Khamzat Shidaev, Kazbek Makhachev, Alkhazur Abdulkarimov, Akhmed Zakaev, Minister of Foreign Affairs Akhyat Idigov, Minister of Shariat State Security Aslambek Arsaev and his Deputy Khasan Khatsiev, Speaker of the Chechen Parliament Ruslan Alikhadzhiev, Deputy Speaker Selam Beshaev, Deputy Attorney General Abu Arsukhaev, the Chief Mufti of Chechnia Akhmat-Hadji Kadyrov (later to be installed by the Russian occupants as "President" of the Chechen Republic, and eventually assassinated on 9 May, 2004), and others. Until July 1999 the post as the Chechen President's General Representative in Moscow was held by Edelbek Ibragimov, who was subsequently replaced by President Maskhadov's former Press Secretary, Mairbek Vachagaev.

¹² For a more extensive account of the Assistance Group's activities during 1999, see: O.G. Skagestad, "Keeping Hope Alive—Experiences of the OSCE Assistance Group to Chechnia," in: *The OSCE Yearbook 1999*, Institute for Peace Research and Security Policy at the University of Hamburg (Ed.), Baden-Baden, 1999, pp. 211-223. For more detailed presentations and analyses, reference is made to the periodic Reports to the OSCE Permanent Council submitted by the Head of the Assistance Group, notably viz. Doc. PC.FR/7/99, OSCE Secretariat (Vienna), 11 March, 1999; Doc. PC.FR/18/99, OSCE Secretariat (Vienna), 24 June, 1999; and Doc. PC.FR/30/99, OSCE Secretariat (Vienna), 21 October, 1999.

¹³ These talks took place in the context of the Assistance Group's extensive contacts with Russian federal authorities, including meetings with the Ministry of Foreign Affairs (Deputy Minister Evgeni Gusarov and Department Director Vladimir Chizhov) as well as numerous high-level meetings with other relevant interlocuteurs such as the (then) Minister

The prevailing view in Moscow, however, continued to follow the restrictive line expressed in the Russian Statement of 13 March, 1997, which maintained that the part of the Assistance Group's mandate related to mediation efforts had been carried out in full, and that no further third-party involvement in a resumed Russian-Chechen dialog was envisaged.

Whatever prospects there might have been for a renewed mediation role for the Assistance Group they were effectively dispelled by the events that took place during the second half of 1999: First, the hostilities unleashed by the incursions (from 7 August) into Daghestan of Chechen-trained armed groups led by the notorious warlords and trouble-makers Shamil Basaev and Al-Khattab, thereafter (from 3 September) extensive Russian air-bombings of Chechen territory (from 22 September also including the city of Grozny), and from 30 September the invasion of Chechnia by federal ground forces, setting off an armed campaign, which has yet to be brought to an effective or definitive conclusion.

At the end of 1999 the Assistance Group's functions had been reduced to an absolute minimum. After its "classical" role as a mediator had already been abandoned in 1997, for various reasons also its role in the humanitarian assistance and human rights fields had been scaled down considerably. Because of the renewed armed hostilities in Chechnia, in October 1999 the remaining Assistance Group local staff in Chechnia had to be evacuated to neighboring Ingushetia, and all humanitarian aid projects had to be put on hold. From August 1999 the Assistance Group had also come under increasing criticism from the Russian authorities for its reporting, which included sensitive topics such as human rights violations perpetrated by the Russian side as well as appeals for assistance from Chechen authorities to the international community. Thus, at the end of September Russia protested that the Assistance Group in its reporting was extending its activities beyond its mandate. In response to the attitude of the Russian authorities, who displayed a progressively more restrictive interpretation of the Assistance Group's mandate, the Assistance Group scaled down its coverage of human rights violations in the course of the military campaign in Chechnia and reduced its reporting to a minimum. Nevertheless, the relations with the Russian Federation Ministry of Foreign Affairs continued to cool down, as witnessed *inter alia* by a succession of Moscow newspaper articles—ostensibly using Foreign Ministry sources—with critical coverage of the Assistance Group's activities.

At the same time, the Russian authorities gradually adopted the view that previously entered agreements—the 1996 Khasaviurt Agreement and the Russian-Chechen Peace Treaty of 12 May, 1997—were no longer legally binding, and renounced their recognition of the OSCE-sponsored presidential and parliamentary elections that had been held in January 1997.

In Istanbul on 19 November, 1999, the OSCE ended a two-day summit by calling for a political settlement in Chechnia and adopting a Charter for European Security. Until the Istanbul summit the OSCE—just like most other bodies representing the international community—had been hesitant to openly criticize the Russian Government for its actions in Chechnia. However, in view of the imminent humanitarian disaster resulting from the resumed hostilities, with some 200 thousand refugees spilling over the border into neighboring Ingushetia and enduring appalling conditions, the situation could not be ignored. Although the summit reconfirmed the mandate of the OSCE Assistance Group to Chechnia and paved the way for the subsequent fact-finding visit (mid-December 1999) of the OSCE Chairman-in-Office to the Northern Caucasus, the Russian Government continued to be adamant that no political role was

of the Interior Sergei Stepashin (later to become Prime Minister), the (then) Minister of Nationalities Ramazan Abdulatipov, the FSB Director and Secretary of the Russian Federation's Security Council Vladimir Putin (later to succeed Stepashin as Prime Minister, and eventually succeeding Boris Yeltsin as President), the Deputy Secretary of the Russian Federation's Security Council Vyacheslav Mikhailov (who preceded as well as succeeded Mr. Abdulatipov in the post of Minister of Nationalities), Duma Members Vladimir Zorin and Mikhail Gutseriev, the Russian Federation's President's Representative to Chechnia Valentin Vlasov, the Russian Federation's Government's Representative to Chechnia Georgi Kurin, former Secretary of the Russian Federation's Security Council and Russian Federation's Chief Negotiator Ivan Rybkin, and others. In addition, the Assistance Group maintained regular contacts with the Republic of Ingushetia's President Ruslan Aushev, who rendered the Group valuable support and protection at the regional level.

envisaged for the OSCE or its Assistance Group in the context of the conflict. Upon his return from the visit, the Chairman-in-Office made a 4-point proposal to facilitate a solution to the conflict:

1. Immediate cease-fire in and around Grozny;
2. The establishment of a dialog between the parties with OSCE participation;
3. A regional conference with the participation of the presidents of Daghestan, Ingushetia and North Ossetia, as well as Russian Federation and Chechen representatives;
4. Escalation of international humanitarian assistance to the region and improved coordination of such assistance.

This initiative was, however, rejected by Russia. In fact, the Istanbul summit decisively confirmed the already widely felt sentiment that any involvement by the OSCE in matters pertaining to Chechnia was thoroughly unwelcome. And with the benefit of hindsight, it may also be noted that the summit confirmed a basic shift in Russian policies toward the OSCE. Thus, according to the then Minister of Foreign Affairs Igor Ivanov, this summit marked a turning point in Russian perception of the OSCE, from an organization that expressed Europe's collective will, to an organization that serves as a Western tool for "forced democratization."¹⁴

Reestablishment of the Assistance Group as a Field Mission, and its Eventual Termination

The situation prevailing by the end of 1999, seemed to call for a reassessment of the Assistance Group's *raison d'être*. While the Group was supposed to be an OSCE field mission, it was in fact sitting idle in Moscow—more than 1.5 thousand kilometers away from its application area—with no apparent prospect for return. In addition to the practical and logistical obstacles, the scope for fulfilling its various tasks as envisaged in its mandate—yes, indeed for performing any activities in terms of its mandate—was severely curtailed by restrictions laid down by the host country. Questions to be addressed included: What were the prospects for a resumption of a relevant and meaningful role for the Assistance Group? How could the Assistance Group still make a difference? What was its actual or potential usefulness? What was the point in the Assistance Group's continued existence? Why not just call it quits, cut the losses, and turn the attention of the OSCE to more promising challenges?

Personally, the author of this article was never in doubt. When my own assignment as Head of the Assistance Group expired in January 2000, my assessment was that, even under the prevailing most adverse circumstances, the long-term usefulness of the Assistance Group's assignments outweighed the short-term disadvantages, and that the Assistance Group was indeed making a difference. Appreciating the continuous assurances and expressions of support that it had received from numerous quarters, the Assistance Group could not help noting that a common denominator in the way the Assistance Group was viewed was that this tiny symbol of an OSCE presence represented a measure, albeit modest, of *hope* in an otherwise gloomy situation. While the restoration of normal, peaceful conditions in this conflict-ridden and suffering region seemed a more remote prospect than ever, it seemed all the more important that hope be kept alive.

This also seemed to be the attitude of the OSCE Permanent Council and the incoming Austrian as well as subsequent OSCE Chairmanships. Years 2000-2001 saw a series of efforts to have the Assis-

¹⁴ Ref. [http://wikipedia.org/wiki/Organization_for_Security_and_Co-operation_in_Europe#endnote_ivanov].

ance Group reestablished in the application area and to bring about a resumption of its activities in terms of its mandate. Special attention was given to the question of redeploying the Assistance Group back to Chechnia. Suitable premises were found in the Znamenskoe location in northwestern Chechnia, an area which (unlike the remainder of the republic's territory) was assumed to be under firm federal control. However, in order to establish the conditions for a return of the Assistance Group to Chechnia, two basic prerequisites had to be fulfilled.¹⁵ First, the Russian authorities should guarantee security and sufficient protection of the Group and its members. Second, the status of the Assistance group must be clearly defined, especially as to immunity and security, in an agreement similar to those concluded with the governments of other countries where OSCE missions were deployed. The implementation of the reestablishment of the Assistance Group as an operational field mission did however, drag out, apparently due to the reluctance or perhaps inability of the Russian authorities to provide such security arrangements as were seen necessary. However, in a statement to the OSCE Permanent Council on 2 November, 2000, the United States Representative to the OSCE "welcomed the news that the OSCE Secretariat and the Russian government were about to finalize an agreement on the security arrangements." In its statement, which also reflected a certain measure of disappointment and impatience with the Russian government's previous handling of the issue, the United States furthermore noted that: "It is our expectation that once these arrangements are finalized, the way should be open for the prompt return of a continuous OSCE Assistance Group presence on the ground in Chechnia, operating under its 1995 mandate. We welcome the Russian government's apparent willingness to make this goal a reality.

We note Prime Minister Kasyanov's decree instructing Russian government ministries to facilitate the Assistance Group's return, and believe that this should be finalized and the Assistance Group returned to Chechnia now so that we can hear reports from it before our ministers meet.

It is our understanding that the Council of Europe now operates on a continuous basis in Znamenskoe, and we can only assume that the security situation would therefore allow the Assistance Group to do the same.

Like our EU colleagues, we can recall other occasions on which we have been promised the imminent return of the OSCE, sometimes based on promises directly to your Minister and as early as April of this year, only to have those hopes dashed when each of these promises dissolved for one reason or another. It is our hope and expectation that the assurances we are receiving now will not lead to similar disappointments."

Following extensive negotiations with the Russian authorities, a Memorandum of Understanding was eventually signed on 13 June, 2001 with the Ministry of Justice, which undertook to ensure the security of the Assistance Group Office in Znamenskoe. On 15 June, the OSCE Chairman-in-Office reopened the Assistance Group's Office in Znamenskoe and underscored the need for full implementation of the Group's mandate, as approved in April 1995 by the OSCE Permanent Council. After its redeployment, the Assistance Group concentrated on normalizing its presence in Chechnia following an absence of more than two years, with an emphasis on monitoring the human rights situation and facilitating the delivery of humanitarian aid to the victims of the crisis.¹⁶ However, the Assistance Group's mandate, which had originally been adopted in 1995 *ad interim*, was in 2001 changed to be renewed yearly.

As in previous years, during 2002 the Assistance Group remained the only independent field presence of international organizations in Chechnia.¹⁷ The mandate was not extended, however, for 2003 and the Assistance Group ceased to exist at the end of 2002.

In a letter dated 18 January, 2003 to the OSCE Chairman-in-Office, the Russian Minister of Foreign Affairs Mr. I. Ivanov sought to "clarify the circumstances related to the technical closing of

¹⁵ Cf. the *OSCE Annual Report 2000 on OSCE Activities*, pp. 29-31.

¹⁶ For a more substantive account of the tasks performed by the Assistance Group upon its redeployment to Chechnia, see: *Annual Report 2001 on OSCE Activities*, pp. 36-38.

¹⁷ A detailed account of the Assistance Group's activities in 2002 is given in the *Annual Report 2002 on OSCE Activities*, pp. 36-38.

the OSCE Assistance Group in the Chechen Republic.” The Russian position was explained as follows: “Our position has been maximum transparent and clear since the beginning: to adjust the tasks of the Group to the situation in Chechnia which has substantially changed since the adoption of its mandate in 1995. Notwithstanding our proposals presented yet in November 2002, which gave to the Assistance Group the perspective to continue its work in 2003, unfortunately, it has not been possible to reach consensus. The outcome has not been a choice of ours.

Considering the existing procedures, since 1 January, 2003 the Group has shifted to the phase of technical termination which will last until 21 March this year. We render full assistance to the OSCE Secretariat and chairmanship to make this process run smoothly.

.....
At the same time, as we pointed out many times, it does not mean that we automatically terminate our cooperation with the OSCE on the Chechen problem.”

In his letter, Mr. Ivanov furthermore noted that Russia had forwarded to the OSCE’s Bureau on Democratic Institutions and Human Rights (BDIHR) detailed information on preparations for a referendum, to be held on 23 March, 2003, on the Constitution of Chechnia and elections to governing bodies at all levels in the republic. Expressing the hope that the BDIHR would be able to render expert assistance in realizing the monitoring of these activities, the letter concluded that “as experience shows, permanent presence of the OSCE field missions is not essential at all for similar purposes.”

The Road Ahead?

With the termination of the existence of the OSCE Assistance Group to Chechnia as one’s point of departure, it is easier to look back at the experience resulting from this past exercise than to discern a passable road ahead.

Although not specifically mentioned in the Assistance Group’s mandate, a main reason for the continued OSCE presence in Chechnia was the *political* dimension of the mission’s work. The OSCE presence was a political message that Chechnia had not been forgotten by the much-maligned “international community.” For Chechnia the Assistance Group was important as a channel of contact with the outside world. For the OSCE, the Assistance Group—even during its extended evacuation regime—fulfilled the functions of carrying out independent observations, analyses, assessments and reporting on general political developments as well as on economic developments including conditions of life in the region. Thus, through its Assistance Group, the OSCE maintained a presence which enabled the Organization to monitor these developments on a continuous basis.

At the beginning of this article, we touched upon the broad questions as to whether and how the OSCE as an “agent of the international community” could contribute to the eventual sorting-out of the Chechen conflict, bringing peace and stability to the region. Such questions may be fraught with a certain measure of wishful thinking: Although the OSCE may in fact be *the* international body that is best equipped to address such an issue, its limitations in this respect are obvious: The OSCE is an organization that operates on the basis of the principle of consensus, and hence, it can only be as effective as its member states want it to be. With a major member state being a party to a certain conflict, and insisting that it is a purely internal matter, no progress is feasible.

When looking at the Chechen conflict from today’s *post festum* perspective (as far as the now defunct Assistance Group is concerned), it seems less than likely that a situation could arise in the foreseeable future (as it did back in 1995) when Russia might find it to be in its own best interest to avail itself of the good offices of the OSCE to seek a way out of the seemingly never-ending imbroglio.

All along, everybody has professed to agree that the conflict cannot be solved by military means alone: A *political solution* must be found. From the point of view of Russian federal authorities, this

challenge was presumably addressed, met and overcome by the constitutional referendum in 2003 and the subsequent elections which ushered in the Kadyrov regime. However, the assassination on 9 May, 2004 of Akhmat-Hadji Kadyrov himself could only testify to the continuing volatile situation and the continued absence of a political solution with a modicum of legitimacy. Later developments, whether it be the election on 30 August, 2004 of Alu Alkhanov as Kadyrov's successor, or the killing on 8 March, 2005 of the last legitimately elected president Aslan Maskhadov, did not entail any decisive change in the general picture of the conflict. To a certain extent, Moscow has gradually transferred the internal political power to a group of former separatists, which rule the territory on Russia's behalf, but only under partial control of Moscow. Thus, the conflict has largely assumed the character of a civil war—Chechen against Chechen—while at the same time, thousands of federal Russian troops (perpetrating atrocities and suffering casualties) continue to be tied up within the republic's borders. Whether the replacement of Alkhanov on 5 April, 2007 with the late Kadyrov's son, the notorious armed-band leader and "strongman" Ramzan Kadyrov, could be a precursor of fundamentally new developments, remains yet to be seen. So far, his Moscow-backed régime has not been able to shed its reputation for ruthlessness and abuses of human rights, let alone to facilitate the safe return of the hundreds of thousands of exiles.¹⁸ The murder on 7 October, 2006 of the journalist Anna Politkovskaia reminded the outside world of the extreme danger entailed (and the extreme courage that it takes) in reporting on the power abuses and the atrocities perpetrated against the civilian population in Chechnia—a situation which shows no sign of improvement.

Leaving aside the question of the legitimacy of the political structures currently in place, it must still be recognized that to achieve a comprehensive political solution also necessitates huge efforts to be made in several directions. Humanitarian needs must be alleviated, refugees/IDPs (internally displaced persons) must be given a safe return to what is left of their homeland, infrastructure must be rebuilt, and—most difficult of all—the distrust caused by the military campaign with its heavy toll of death and destruction, must be dispelled. The protracted war of attrition, including the serial assassinations of separatist leaders—politicians, "field commanders" and warlords (including out-and-out terrorists) alike¹⁹—has hardly contributed to a positive development in this respect. It is not realistic to expect any quick and easy solutions.

Although a comprehensive political solution may not be within reach, much can probably still be done to assist in bringing about some improvement in an otherwise miserable situation. If the security situation could be made tolerable, international NGOs with humanitarian or human rights agendas could be encouraged to involve themselves more directly in the region. To assist such NGOs in their beneficial activities was a priority task of the Assistance Group during its last year of existence. It could conceivably continue to be a positive contribution from other branches of the OSCE system. And even without any institutional presence in the region, the OSCE could maintain a readiness to offer its good services if and when such a time occur when opportunities to make a contribution in areas similar to those envisaged in the original mandate of the Assistance Group may be a more realistic proposition than the current situation may offer.

¹⁸ Indeed, other observers have been noticeably less charitable than the present author in portraying the vicious character of Ramzan Kadyrov and his régime.

¹⁹ In addition to presidents Maskhadov and Akhmat-Hadji Kadyrov, notable examples include their predecessor Zelimkhan Yandarbiev (acting president 1996-1997, killed 13 February, 2004), former vice-president Vakha Arsanov (killed 15 May, 2005) and "field commanders" (warlords) Arbi Baraev (killed 25 June, 2001), Movsar Baraev (killed 26 October, 2002), Salman Raduev (killed 14 December, 2002), Ruslan Gelaev (killed 28 February, 2004) Abdul Khalim Saidullaev (killed 17 June, 2006) and Shamil Basaev (notorious perpetrator of a number of terrorist acts, killed 10 July, 2006).