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Rivalry and Competition in Central Asia

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Martha Brill Olcott¹

Summary

The Central Asian countries are tied together by geography and by history, but both are also the source of much of the stress that underscores interstate relations in this region. While these states are less than twenty years old in their current sovereign status, since the mid-fifteenth century relatively stable ethnic communities corresponding to the five titular nationalities have lived in the territory that roughly corresponds to the boundaries of what is now commonly known as Central Asia. None of these ethnic communities though lived entirely within the boundaries of their current states, and all of them competed for access to land and most importantly water, without which their economies could not have been sustained. These geographic links were further cemented by over a century and a half of Russian and then Soviet rule, which created strong economic interdependencies throughout the region, most importantly in the areas of energy, the regulation of water usage and of transport.

There are conflicting views in the international community as to whether these interdependencies should be preserved, redefined, or effectively eliminated, and the Central Asian states have conflicting opinions about this as well. Each would like to keep those features that work to their benefit, and eliminate interconnections that, in the minds of their leaders, slow the nation's economic growth.

For Russia and China, Central Asia is a natural extension of their own respective territories. Leaders in Moscow and Beijing would like to retain and create, respectively, interdependencies to better serve their own national economic and security needs, and neither would like to see the region coalesce in a way that would limit their respective freedom of action. By contrast the EU and U.S. would like to redefine the region, to create interdependencies with the European energy market, and with South Asia, most especially with Afghanistan, and both have been seeking to use the resources of the

International Financial Institutions (IFIs) to create new transit and energy corridors to serve these ends.

The international community, though, has found it very difficult to launch successful region-wide initiatives, in large part because of the long-standing competition that exists between many of these countries' leaders. In fact, at various times the competition between these men has become so acute, that it looks like some of them are more interested in besting each other than in solving Central Asia's pressing challenges. These include managing the region's shared water supply, providing adequate energy supplies to domestic and industrial uses, facilitating trade and transport across the region, combating transnational security threats, and in general managing their shared borders.

The best expression of the competition is the rivalry between Kazakhstan and Uzbekistan for regional leadership, which has colored the personal relationship between these countries' two founding presidents. This competition for regional dominance has strong historic roots. But more risky are the long-time inter-ethnic rivalries that have dominated in the region's Ferghana Valley. These have strained relations between the Uzbeks and Tajiks, and Uzbeks and Kyrgyz since independence and have periodically left these countries teetering on the edge of war. There have also been territorial disputes between the Kyrgyz and Tajiks, and strains in the Uzbek-Turkmen relationship during much of the rule of Turkmenistan's now deceased founding president Saparmurad Niyazov² (Turkmenbashi).

In almost all of these instances the competition over scarce water resources has served as a trigger when relations have deteriorated. Some of the explanation for this lies in the personalities of the presidents, and is at least in part, a legacy of Soviet-era personnel practices which pitted regional and republic leaders against one and another. These differences are further exacerbated by the competing economic philosophies that these leaders adhere to, with the market orientation of the

¹ The author is a senior associate in the Russia/Eurasia Program at the Carnegie Endowment for International Peace.

² Saparmurad Niyazov died in December, 2006 and was replaced by Gurbanguly Berdimuhammedov.

Kazakhs, the Kyrgyz and the Tajiks being undermined by the preference for planned economics by the Uzbeks, and to a lesser extent the Turkmen. And into this mix is thrown the competing versions of history that each of the major ethnic community in the region is advancing to enhance the legitimacy of their now nearly twenty year old nation states.

The difficulties in promoting regional solutions have frustrated those international institutions charged with trying to promote them. It has led them to either postpone or downgrade regional projects, such as the Central-Asia South-Asia Electricity Market (CASAREM)³, that was designed to create a single electricity market in South and Central Asia. It has also hampered the promotion of large inter-regional transport projects, as Uzbekistan and Kazakhstan each seek to become the regional trade center, deflecting resources which could be used to maximize the transport potential and trade facilitation across the region. Partly this is because the international financial institutions are forced to integrate regional projects with country development plans drafted in each of these national capitals, and these are often rooted in the principles of competition rather than cooperation.

There remains an often expressed hope in the international community that the politics of rivalry that is currently pervasive in Central Asia is a feature of the first stage of nation-building, and when the next generation of leaders come to power it will be easier to promote such projects. But these states are becoming increasingly more differentiated one from the other. Each is creating international partnerships that push them in different directions and that will be difficult to dislodge. Their competing versions of history are becoming ever more deeply engraved in their national consciousness, especially since their populations, unlike in the Soviet period, now much less frequently have contact with one

and another, and when they do they may lack a common language, and so they oftentimes find the contact unpleasant, discriminatory, or at least seeming so. So, it would be wise to at least consider the option that with time these regional problems are less, rather than more, likely to be solved. And the international community would do well to consider how best to proceed to reduce the likelihood that they will be so further exacerbated as to create real “hot” conflict between the squabbling parties.

The Causes of these Conflicts: History and Geography

Many of the conflicts in Central Asia are rooted in the history of these ethnic communities, and their competition for preeminence in the region. For nearly two millennia, and until the Russian conquest of the late nineteenth century, the political force that controlled the lands between Central Asia's two principal rivers, the Syr Darya and Amu Darya, was the dominant power in the region, largely because it controlled the region's water source and was able to create an economy that was more powerful than the tribal groupings to the north (the Kazakhs-Kyrgyz and their predecessors) and to the west (the Turkmen). Since the break-up of the Soviet Union Uzbekistan has laid claim to this role, claiming that Uzbeks (and not the Tajiks) are the rightful heirs to this land, creating concern among the other nationalities of Uzbek hegemony⁴. These fears have been further strengthened by how Uzbekistan has defined and advanced its national security interests, especially in the wake of Tajikistan's civil war in the early-mid 1990s, and the subsequent instability in Afghanistan with its spillover effects in Tajikistan and Kyrgyzstan.

Underlying these disputes is a question of contested identity, which nationalities are the “true” heirs to the various dynasties which dominated the Central Asian region during centuries past. The Uzbeks and Turkmen both assert that it was their ancestors who ruled in

³ For a discussion see ADB Technical Assistance Project, “Preparing the Central Asia-South Asia Regional Electricity Market Project”, project 40537, December 2006, <http://www.adb.org/Documents/TARs/REG/40537-REG-TAR.pdf>. This project had strong support from the World Bank, and the U.S. government was an early and enthusiastic advocate

⁴ See maps contained in Appendix A.



Khwarazm (Khorezm; Khiva) and who then became the Selcuk dynasty. The ruins of old Urgench (Khwarazm's first seat) are on Turkmen territory, while Khorezm, its later capital (which was the seat of the Khanate of Khiva), is in Uzbekistan.

This dispute is nothing by comparison to the varying versions of history constructed by the Tajiks and Uzbeks, and the territorial claims that are implied by each. The Tajiks claim to be the exclusive descendants of the Samanid Empire, which ruled in the 9th and 10th centuries, from its capital in Bukhara. A statue of the dynasty's founder Ismail (Ibn Ahmad) Samani dominates the main square in Tajikistan's capital, Dushanbe, and a picture of his mausoleum (located outside of Bukhara in today's Uzbekistan) is featured on Tajikistan's currency.

Not surprisingly, this riles up the Uzbeks, who take it as proof of aggressive intent, should the Tajik military ever become the match of that of the Uzbeks. They view themselves as the true heirs to the lands of the Samani dynasty, centering their version of history on the person of Amir Timur, and his 14th century dynasty. Most historians date the development of the modern Uzbek people with the subsequent Shaibanid dynasty of the late 15th century. The modern Kazakh nation also dates from roughly the same time, and their founder Khan Abdul'Kair broke with the Shaibanids and moved northward into the Kazakh steppe.

Both the Uzbeks and the Kazakhs claim to be descendants of Chingis Khan or his tribesmen, and there has been an uneasy relationship between these peoples over the centuries. Ironically, before the Russian conquest in the middle of the nineteenth century, Tashkent was a small, largely Kazakh settlement, while many Kazakhs lived (by that time quite unhappily) under the rule of the Khan of Kokand (in Uzbekistan's Ferghana Valley). For that reason, fixing the boundaries between the two states after independence was quite challenging (especially between South Kazakhstan oblast and Uzbekistan's Jizzak oblast). In the end Kazakhstan made the decision to cede some of the contested land to Uzbekistan during negotiations to

demarcate their border. This left some small Kazakh communities to be transferred to Uzbekistan with some Kazakhs forced to relocate⁵. Kazakhstan also was willing to give away some small amounts of territory in several of its northern oblasts to Russia in order to get that border formally delineated in 2005⁶. By contrast though, these were exclusively villages that were populated by ethnic Russians and were bisected by the administrative boundaries of the U.S.S.R.

Border management between Turkmenistan and Uzbekistan was a serious problem throughout President Saparmurad Niyazov's lifetime, although progress has been made with regard to joint management since President Gurbangoly Berdimuhammedov has come to power⁷. The persistence of small ethno-national enclaves means that boundary issues along the Kyrgyz-Tajik, the Tajik-Uzbek and the Kyrgyz-Uzbek borders remain virtually but not yet fully resolved. There are ethnic enclaves in all three countries (tiny bits of territory belonging to Tajikistan surrounded on all sides by Kyrgyz territory, and similar bits of Kyrgyzstan in Tajikistan, and the same is the case with stranded Uzbek and Kyrgyz territories in one and another's states)⁸. Their fate has yet to finally be decided, and there are contentious bits along the Tajik-Uzbek, Kyrgyz-Uzbek and Kyrgyz-Tajik borders. There have been small violent skirmishes in border areas over water between Kyrgyzstan and Tajikistan. The Uzbeks mined their border with the Tajiks⁹, following bombings in Uzbekistan in 1999, which the Uzbeks blamed on small terrorist bands (of the Islamic Movement of Uzbekistan, the IMU¹⁰) who they

5 Igor Rotar, "Uzbekistan Bulldozes Settlements Along Border With Kazakhstan" *Eurasia Daily Monitor* Volume: 2 Issue: 9, January 12, 2005, [http://www.jamestown.org/single/?no_cache=1&tx_ttnews\[tt_news\]=27369](http://www.jamestown.org/single/?no_cache=1&tx_ttnews[tt_news]=27369).

6 It took 4 more years for border markings to begin to appear. RIA Novosti Russia, "Kazakhstan to mark vast shared border," April 30, 2009, <http://en.rian.ru/russia/20090430/121393916.html>.

7 See OSI, "Turkmenistan News Brief," issue 11, 2008, March 7-13, 2008, http://www.eurasianet.org/resource/turkmenistan/newsarchive/english_20080313.pdf and CA News, "Uzbekistan and Turkmenistan approve a number of agreements," November 16, 2009, <http://74.125.93.132/search?q=cache:6D0KVFERRGYJ:en.ca-news.org/news/113191+uzbek+turkmen+border+agreement&cd=1&hl=en&ct=clnk&gl=us>.

8 See Appendix B for a map showing these enclaves.

9 RFE/RL, "Central Asian Countries Seek to Determine Border Areas" *Spero News*, November 22, 2009, <http://www.speroforum.com/site/article.asp?id=23056&t=Ce> ntral+Asian+Countries+Seek+To+Determine+Border+Areas.

10 The Islamic Movement of Uzbekistan (IMU) was formed in 1994 by Juma

claimed transited across Tajikistan¹¹. The demining of the border, despite the loss of life and livestock, has yet to be completed.¹² The Uzbek-Kyrgyz border was never laid with mines, but after some small terrorist incursions on the Uzbek side, in 2009 the Uzbeks began digging ditches along their part of the border and reduced the number of legal crossing points. The Uzbeks and Tajiks require visas of one and another, and the Uzbeks and Kyrgyz also maintained a visa regime for nearly a decade, suspending it effective February 2007.

The old Soviet administrative boundaries were drawn (and periodically redrawn) with little attention to respecting the ethnic divisions of the affected populations. Many western scholars (and now the Central Asians themselves) claim that national demarcation was initially done by Stalin to prevent the people of what was then known as Turkestan from unifying and seceding, but the population of this region was far from ethnically unified, and was unable to come together during the years of the Russian Revolution and Bolshevik Civil War (1917-1922), when serious efforts to create independent states occurred in the Baltic region, in Ukraine, and in Georgia, Armenia and Azerbaijan.

Whatever the motivation, the very messiest division of territory occurred in the territory of the Khanate of Kokand, which fell under Russian control in the late 1860. This khanate had broken off from the Emirate of Bukhara some hundred-plus years previously, and controlled the entire Ferghana Valley, which was divided between Uzbekistan, Tajikistan (the area around Khujand) and Kyrgyzstan (Osh and Jellalabad),

with Uzbeks and Tajiks living in the former two regions and Kyrgyz and Uzbeks in the latter. Whatever the punitive reasons behind this decision might have been, it did enable each of these three republics to have some arable land, on which among other things, cotton could be grown. This crop was also planted on that part of the territory of Kokand that went to Kazakhstan (current-day Jambyl and South Kazakhstan oblasts). And throughout most of Soviet rule, these parts of Kazakhstan, Kyrgyzstan and Uzbekistan were run as sub-fiefdoms of the Communist Party of Uzbekistan, increasing Tashkent's hunger to regain control (even if only indirect) of this territory.

As one can see from the maps provided in the appendix to this text, present-day Uzbekistan, cursed now by being the region's (and one of the world's two) only doubly land-locked countries, was during Soviet times at the center of most of the transportation and communication that served the region¹³. For that reason it still can create a stranglehold over land based trade going from Kyrgyzstan and Tajikistan and railroad traffic from these countries as well as from Turkmenistan.

Uzbekistan also played a key role in the supply of energy and water to the entire region. The CAC (Central Asian Center) gas pipeline system crisscrossed Uzbekistan. Turkmenistan's gas passed through western Uzbekistan and then through Kazakhstan to Russia, while Uzbekistan supplied southern Kazakhstan, Kyrgyzstan and Tajikistan with gas, which was used for heating and electricity in all three countries¹⁴. There was a unified electricity grid (created in the 1970s, which lasted until November 2009), and water released from large dams upstream in Tajikistan and Kyrgyzstan produced electricity in summer, as well as the water for irrigated agriculture that all of these states (but most especially Uzbekistan and Turkmenistan) depended upon. The region's water regulation authority was also located in Tashkent, and it controlled the timing and amounts of water released for distribution to all five

Namangani and Tahir Yuldashev, who gathered young Islamists from the Ferghana Valley, many of whom were followers of a fundamentalist cleric from Andijan (Abduhvali qari [Vasaev] and went to Tajikistan to fight with the Islamic opposition there. They remained in Tajikistan until 1998, then moved to Afghanistan, where they established camps that were funded by al-Qaeda. These camps were destroyed during the ISAF (NATO) bombing campaign of 2002, and the surviving forces joined up with Afghan opposition and moved to western Pakistan, where Tahir Yuldashev was reportedly killed in late 2009.

¹¹ For a brief discussion of the 1999 events and a concise description of Uzbekistan's security situation see Jim Nichol, "Uzbekistan Recent Developments and US Interest" Congressional Research Service, RS21238 Updated August 27, 2008, <http://www.fas.org/sgp/crs/row/RS21238.pdf>.

¹² Tajikistan also has mines left from the Civil War, and along the Tajik-Afghan border, for a full discussion of Tajik demining efforts see, Tajikistan Mine Action Center, "2006 Mine Action in Tajikistan," http://www.apminebanconvention.org/fileadmin/pdf/mbc/IWP/SC_april07/speeches-mc/Tajikistan-25April2007slides.pdf.

¹³ See Appendix C.

¹⁴ See Appendix D, for a gas and pipeline map for the Caspian region.



states (northern and central Kazakhstan was largely served from the Siberian water basin).

Uzbekistan was also the home of the Turkestan Military District, which was the Soviet Army's largest military facility in the region, and which commanded the military detachments in the other four Central Asian republics (briefly, during the war in Afghanistan there was a Central Asian military district created in Kazakhstan). So when the U.S.S.R. dissolved, Uzbekistan inherited the largest (over eighty thousand men in arms) and best equipped military in the region, and also the air defense command system for the U.S.S.R.'s southernmost borders. And Uzbekistan was the first state in the region to begin working closely with NATO to begin the reformation and rearming of those forces that they inherited. The country also has a very well developed internal security force, of some twenty thousand, dating from Soviet times, which further has exacerbated the nervousness of Uzbekistan's neighbors.

Tajikistan's Civil War

The Civil War in Tajikistan served as a further stimulus for Uzbekistan to transform itself into a security state, and from the very earliest days of independence undermined the prospects of regional cooperation, as well as seriously undermining Tajikistan's own economy.

There is considerable literature on the causes, conduct and impact of the war, whose most violent phase occurred in 1992-1993 (regular clashes between armed bands, militias and armies in most of southern Tajikistan), and periodic skirmishes from 1993-1997, when an agreement on national conciliation was signed between the government, headed by President Imamali Rahmon (head of state since December 1992, and first elected president in 1994) and the opposition forces (known as the UTO, United Tajik Opposition, which included the Islamic Renaissance Party, Central Asia's only legal Islamic party)¹⁵. However armed Islamic ter-

rorist groups, including fighters from the IMU, continued to live and train in Tajikistan (in the Tavildar region) until 1998 when, after continued pressure from Uzbekistan (which had provided safe haven for some of Imamali Rahmon's non-Islamic enemies) they were relocated in Afghanistan. Even afterwards, small bands of the IMU were able to transit across Tajikistan, and in 1999, and 2000, they took hostages in Kyrgyzstan's Batken region, holding them for ransom. Once again in 2008 and 2009, Uzbek authorities began to complain that Tajikistan (as well as Kyrgyzstan) was providing a safe-haven for armed formations of Uzbek Islamists.

For this reason Uzbekistan initially effectively closed its border with Tajikistan for the entire duration of the Civil War, creating year-round highways to link Tashkent across the mountain passes that separated it from mountains with the Ferghana Valley, bypassing the Soviet-era highways that went along the valleys and through Tajikistan's Sugd (Khujand) oblast. Since the opening of these new roads, Tashkent has felt quite comfortable keeping a tight regime on the Uzbek-Tajik border, which is applied to all commercial traffic that lack international transport (TIR¹⁶) certification, a convention which Tajikistan has never joined. This has substantially increased the cost of importing goods for Tajikistan, as the Tajiks are forced to move most of their freight through Tajikistan, or China. These routes are longer, and despite substantial expansion and refurbishing of transit routes at international expense, they remain difficult to use in winter because of the high mountain passes they traverse¹⁷. The de facto closure of the Tajik-Uzbek border made Tajikistan more dependent upon costly air freight and has effectively destroyed family fruit and vegetable farms in Katlon oblast in Tajikistan (where in particular their unusual orange-yellow lemons grew,

¹⁶ The TIR convention for international transport dates from 1975, and was developed under the auspices of the UNECE, the United Nations Economic Commission for Europe to regulate international highway travel. See http://www.unece.org/tir/handbook/english/newtirhand/TIR-6Rev2EN_Convention.pdf.

¹⁷ Several of these projects are supported by CAREC (Central Asian Regional Economic Cooperation program of the ADB). For a discussion of their six economic cooperation corridors, see "CAREC Transportation and Trade Facilitation," Asian Development Bank, 2009, <http://www.adb.org/Documents/Reports/Carec-Transpo-Trade-Facilitation/CAREC-Transpo-Trade-Facilitation.pdf>.

¹⁵ For details on the Tajik Civil War and the subsequent period in Tajik history see International Crisis Group, "Tajikistan An Uncertain Peace," December 2001, http://www.crisisgroup.org/library/documents/report_archive/A400521_24122001.pdf.

which were sold in Russia as a delicacy). Now some of these farms have been turned over to agro-business interests from the Gulf states. For the entire course of the Civil War agricultural productivity dropped dramatically, as did industrial output in most of the country (except Sugd oblast in the north where there was very little fighting). Among the many losses during this period was the accidental destruction of the dam being built in Rogun to support the new hydroelectric station, a project begun by the Soviets, and which was only a few years away from completion when the war began.

Tajikistan's Civil War also had a serious effect on Kyrgyzstan's economy. Uzbekistan's belief that Kyrgyz authorities failed to control their borders adequately led the Uzbeks to close their borders with Kyrgyzstan. The closure of these borders created strong incentives for the development of southern Kyrgyzstan, as Uzbek capital crossed the border to relatives in Kyrgyzstan. But it also increased Kyrgyz interdependence with Kazakhstan with rapid increases in Kazakh investments in Kyrgyzstan, which created dislocations during Kazakhstan's banking crisis of 2006-2008. The Kyrgyz decision to enter the WTO early (in 1998) speeded up what would inevitably have been a growing interdependence with China.

Competing Leadership Styles and Economic Philosophies

The bickering between the Central Asian presidents developed almost immediately following independence, and was stimulated in part by the circumstances of Tajikistan's Civil War, which broke out after former Tajik communist party head Rahmon Nabiev seized power in September 1991. Nabiev's inability to control the situation was not well tolerated by the former communist party leaders (Karimov, Nazarbayev and Niyazov) who ran the neighboring countries¹⁸, and who

¹⁸ In the first years of independence Askar Akayev of Kyrgyzstan, who had come to power in 1990, was the only head of state who had not headed a republic communist party. He was a physicist who had spent his career in the Communist Party supervising the educational establishment, and was ousted from power in March 2005,

gathered regularly (frequently under the auspices of the Commonwealth of Independent States [CIS] with Russia's participation).

Niyazov quickly began to absent himself from various gatherings, and in 1994 announced that his country's foreign policy would follow the doctrine of "positive neutrality" that he developed and had formally recognized by the United Nations, which limits Turkmenistan's international engagement even under his successor. While Turkmenistan remains a member of the CIS, it never joined the various customs unions which Russia has sought to introduce, it is not a member of the Shanghai Cooperation Organization (SCO), nor the Collective Security Treaty Organization (CSTO)¹⁹, nor EurAsEC²⁰ (the Eurasian Economic Community).

Turkmenistan's absence has hampered the functioning of the latter two organizations, as it leaves the competition for regional dominance and global recognition between Uzbekistan and Kazakhstan more exposed. The rivalry between the founding presidents of these two countries is as keen today as it was between their respective ancestors when these ethnic communities became differentiated some six hundred fifty years ago.

Islam Karimov and Nursultan Nazarbayev each thinks of himself as extraordinarily talented and each believes that he has the weight of history on his nation's side. Karimov considers Uzbekistan to be Central Asia's heart, while Nazarbayev sees himself as sitting astride a country which unites Europe with Asia. In general Uzbeks consider themselves as representatives of a world class civilization, a center of the Islamic civilization and an outpost of the ancient Greeks before that, while the Kazakhs maintain that their nomadic traditions

replaced by Kurmanbek Bakiev.

¹⁹ The Collective Security Treaty Organization was formed in 2002, replacing the collective security treaty provisions of the CIS. Its 7 members are Russia, Armenia, Belarus, Tajikistan, Kyrgyzstan, Kazakhstan and Russia. Uzbekistan joined in 2006, but limited its participation in 2009. The organization's website is in Russian, and offers a pretty account of the organization's activities and documentation. See <http://www.dkb.gov.ru/>.

²⁰ EurAsEC was formed in 2000, with the founding membership of Kazakhstan, Kyrgyzstan, Tajikistan, Belarus, and Russia. Uzbekistan joined in 2006, and became inactive in 2008. <http://www.evrazes.com/en/about/> and <http://www.evrazes.com/>. EurAsEC replaced the Central Asian Economic community, which did not include Russia (or Belarus) in its membership. Ukraine, Moldova and Armenia all have observer status in EurAsEC.



present an exemplary form of tribal democracy upon which a modern democracy can eventually be created.

Each believes that his education and background offers ideal preparation for the tasks they face as president. Both men were appointed by Mikhail Gorbachev to head their respective republics in June 1989. Karimov, a trained economist, spent most of his career in Uzbekistan's branch of Gosplan, the USSR's state planning agency, before serving as an oblast party secretary (in Kashka Darya). Nazarbayev served as his republic's prime minister before his appointment as Kazakhstan's party chief (and head), and in the months before the collapse of the USSR was being courted by Gorbachev to serve as prime minister of the USSR.

The personal rivalry has made it more difficult for close relations to develop between the two states. Summits of presidents, and foreign ministers, or regularly scheduled meetings of multilateral organizations aside, it is rare for the Uzbek government to send large delegations to important meetings that are held in Kazakhstan or in any of the other national capitals. And not surprisingly the leaders of the other countries don't have much interest in *de facto* acceding to Tashkent's superiority by gathering there or accepting Uzbekistan's position whenever practical matters are being discussed. In fact, it seems that the opposite is often the case. Even when Tashkent makes a practical suggestion, those in the other Central Asian capitals often view it with some suspicion almost by definition.

There have been periods of greater and lesser rapprochement between the two leaders and countries; unfortunately the last year or so has been a time of relative tension. Karimov seems to have taken personal umbrage at a statement by Nazarbayev that Uzbekistan's full participation in a Central Asian economic union would help solve that country's economic problems. This led Karimov to upbraid Nazarbayev in a press conference that was broadcast live on Kazakh television, telling him that the Uzbeks were capable of solving their own problems²¹. Moreover, Karimov appears

to see Kazakhstan's current financial crisis as something of a just reward for accepting "international meddling" and for the hubris he believes Nazarbayev showed in his setting his country on "the road to Europe," and by moving Kazakhstan relatively quickly toward a largely market-based economy.

The differing economic choices made by these two countries, and explicitly by their two leaders is one of the major sources of tension between the Uzbeks and Kazakhs, as well as between the Uzbeks and their other Central Asian neighbors. By the mid-1990s Kazakhstan was cooperating with the IFIs and set firmly on the course of introducing market conditions into its increasingly privatized economy, while the Uzbeks were deciding to stop pursuing the financial stabilization program that they had worked out with the IMF. While the Kazakhs were introducing some transparency into the management of state-held assets (such as the national oil company KazMunaiGaz) by beginning public trading, and transferring the state shares to Samruk-Kazyna²² (a holding company which included foreign managers) Uzbekistan preserved state ownership of most natural resources, a state procurement system for cotton, and subsidized pricing for basic foodstuffs. These price supports were another reason for Uzbekistan's unwillingness to join any sort of remotely free-trade regime, because even with tight controls Uzbek citizens found ways to sell their cheap foodstuffs in their neighbors' markets. An open trade regime would have made it impossible to preserve these subsidies, and this would have threatened the Uzbek government's strategy for maintaining social stability, which was its overriding domestic political goal.

These differences in policy, combined with the size of the Kazakh economy more than five times that of the region's smaller states', has made Kazakhstan a much more significant economic presence in the

account of the visit more generally see Erica Marat, "Karimov, Bakiev React Differently to Nazarbayev's Central Asian Union" *Eurasia Daily Monitor* Volume: 5 Issue: 79 April 24, 2008. [http://www.jamestown.org/single/?no_cache=1&tx_ttnews\[tt_news\]=33582](http://www.jamestown.org/single/?no_cache=1&tx_ttnews[tt_news]=33582).

²² For a description of Kazakhstan's sovereign wealth fund and its holdings see its website: http://www.samruk-kazyna.kz/page.php?page_id=2822&lang=3&parent_id=2750.

²¹ This was reported to me during my visit to Almaty in April 2008. For an

region. Before the current global economic crisis Kazakhstan capital had found a niche in each of the other Central Asian countries, including in Uzbekistan. With the onset of the crisis Kazakhstan investors got rather summarily ejected from Uzbekistan after Kazakhstan began to send Uzbek seasonal workers home when the country's construction market began drying up in mid-2008, and as agriculture also began to contract (as the effect from high energy costs and relatively lower food prices continued to be felt). In general, unlike Islam Karimov, Nursultan Nazarbayev has maintained the respect of his fellow leaders from Central Asia, but his relations with Kyrgyzstan's Kurmanbek Bakiyev now seem somewhat strained, given the failure of some Kazakhstan-Kyrgyz joint ventures during the current economic crisis, and Kyrgyzstan's increasing dependence on subsidized energy from Kazakhstan. Tajikistan's Imomali Rahmon is still happy to receive humanitarian assistance from Astana. Turkmenistan's Gurbanguly Berdimuhammedov is much closer to Nazarbayev than was his predecessor and the Kazakhs are now a visible economic presence in Turkmenistan more than any time in the past. But Berdimuhammedov has no interest in viewing Nazarbayev as a "big brother," and has shown no particular interest in coordinating Turkmenistan's energy policy with that of Kazakhstan, something that the Kazakhstan leadership had hoped would be possible during the early days of Berdimuhammedov's presidency.

Lack of Cooperation in the Water-Energy Nexus

One of the consequences of the atmosphere of competition that pervades in Central Asia has been the near impossibility of creating any sort of long-term resolution to the challenge of managing the region's water system, which is intricately tied to the energy security of several of these countries, and the water security of all the others. So far, no one in the international community has been able to create an environment conducive to resolving the future management of the region's water

and hydroelectric nexus, which is explained in detail in a 2004 World Bank report²³.

The region's former nomads (Kazakhs, Kyrgyz and Turkmen) have long competed for economic primacy with those from the agriculturally-based oasis cities (Tajiks and Uzbeks), and for thousands of years their disputes have largely focused on water, who controls it and how it should be used. In the old days the nomads claimed rights of free use of the water (and pasturage) they encountered as they drove their cattle, sometimes clashing with other nomads, and almost always were at odds with the oasis communities who sought to manage the water flows to support irrigated agriculture.

Today the divisions on the water question are somewhat different; downstream countries (Uzbekistan, Turkmenistan and southern Kazakhstan) need the water for agricultural usage, and the upstream providers (Tajikistan and Kyrgyzstan) want to use the water for producing energy for export and for domestic use. In upstream and downstream countries there are huge inefficiencies in the use of water and in the distribution of electricity, inefficiencies which the feuding countries point out about each other when complaints are made that water is in short supply, or that gas bills are too high.

During the Soviet period there was a regional water-management system, based in Tashkent that regulated the release and allocation of water, which was critical to sustain the highly water-intensive cotton economy. It was so important that Moscow had several dam projects (Kambarata in Kyrgyz Republic and Rogun in Tajikistan, in particular) that were designed to extend the water cascade system that supported irrigation and summertime electricity production²⁴, in order to support the expansion of the cotton industry. With independence the economic rationale for the system was lost, or at least certainly transformed, because of the competing needs

23 World Bank, "Water-Energy Nexus: Improving Regional Cooperation in the Syr Darya Basin," January 2004, http://siteresources.worldbank.org/INTUZBEKISTAN/Resources/Water_Energy_Nexus_final.pdf.

24 See Appendix E for a map of Central Asia's cascades and hydroelectric stations from the 2004 World Bank report.



of each of the new countries. But there was no longer any recognized authority to regulate water, let alone figure out how to calculate the comparative values of water and energy so that they could work to the mutual advantage of all of the states concerned. Upstream producers argue that if they are going to continue to operate their hydroelectric stations under an “irrigation” routine rather than for hydroelectric production year-round then they should be compensated for their loss of cheap energy that year-round operation of the hydroelectric stations would produce²⁵. (This leaves aside the question of whether the existing water supply would suffice for such operation without the creation of new dams linked to hydroelectric stations further upstream such as Kambarata and Rogun.)

Under the Soviet system, water had never been paid for, hydroelectric power had been “sold” by the state for entirely arbitrary prices, which were little more than records on ledger books that formed the basis of inter-republic transfers, and the cost of the water management system had been born by Moscow. While there had always been competing interests between the republics---everyone wanted enough water to get bumper cotton crops, and to be the first to do so---, none of this was translated to obligations of the leaders before their populations.

After independence Central Asia’s leaders were heads of states, and as a result had very different responsibilities to their populations and no longer had Moscow to serve as controller and buffer. Everyone wanted more water, to grow food crops as well as to try and increase their export income. All of the countries also needed to find money to pay for energy imports, initially from Moscow but then increasingly from one and another, given that independence created multiple owners of the interdependent electricity and gas systems.

With time these interdependencies are beginning to become undone, but in ways that are increasing regional competition, rather than reducing it. This is occurring

despite various efforts of international mediation to try and introduce a single water management system, and to assist the poorer states in the region (Tajikistan and Kyrgyzstan) to develop their hydroelectric potential.

There have been a series of interstate agreements negotiated since the collapse of the Soviet Union to regulate various segments of Central Asia’s water system²⁶, including the 1992 agreement which set up the Interstate Commission for Water Coordination (ICWC)²⁷. These have often not been negotiated in a timely fashion, leaving downstream users with no guarantee that they would get enough water for spring and summer plantings. The principle of payment for water has never been accepted by Uzbekistan or Turkmenistan, but Kazakhstan and Kyrgyzstan have worked out an arrangement for the management of the Chu and Talas rivers, through a bi-national commission by which Kazakhstan helps meet the cost of maintaining Kyrgyzstan’s reservoir system as it pertains to these two joint waterways²⁸. For many years the Uzbek acquiescence to the need to help pay towards the costs of the Toktogul reservoir (upon which their water supply was heavily dependent) was implicitly contained in the way the barter arrangement for gas payments was worked out between the two countries. But even before gas prices began their rapid price rise, some five years ago, both Tajikistan and Kyrgyzstan tried to reduce their dependency on Uzbek gas by producing more electricity in winter, which Uzbekistan then blamed for unusually severe spring flooding, and the Uzbeks blame both the Kyrgyz and the Tajiks for the subsequent drop in reservoir water levels.

While each of the Central Asian countries has made some progress towards reforming their electricity sector, prices for electricity to domestic and industrial

²⁵ See Appendix F from 2004 World Bank report that shows the value of Kyrgyzstan’s loss by virtue of running its hydroelectric stations on an irrigation regime.

²⁶ See Appendix G for a list of these agreements, drawn from the water wiki net project. See http://waterwiki.net/index.php/Central_Asia for general materials and http://waterwiki.net/index.php/Situation_in_Central_Asia#Review_of_CAR_countries.27_policy_toward_Water_Governance for a detailed description of the governance structures.

²⁷ There website includes the founding documents and the water laws of the various Central Asian countries. See <http://www.icwc-aral.uz/>.

²⁸ The commission has been in existence since 2000 and maintains a website of its activities in English and slightly more information in Russian. See http://www.talaschu.kz/eng/dpk_recomend.php for the recommendations which support the activities of this commission.

consumers have gone up far more slowly than have global prices for gas. Russia was willing to turn over part of this increase to Uzbekistan, offering them \$305 per 1000 cubic meters in 2009²⁹, which was nearly twice what either Tajikistan or Kyrgyzstan had been charged the previous year, when both were already balking over what they viewed as Uzbekistan's unfair gas tariffs. In return both cut back on gas purchases. Unfortunately, 2007-2008 was an especially cold winter, and the energy cutbacks that were introduced in both Kyrgyzstan and Tajikistan increased the general popular sense of ill-will toward the Uzbeks. Ironically, the Uzbeks also have introduced electricity brownouts in winter time for their own population. These too have frequently been blamed on the neighbors using too much water for electricity generation, but since only 20 percent of Uzbekistan's electricity comes from hydroelectric power, with gas largely accounting for the rest, the electricity shortages are also reflecting the underpriced domestic electricity market.

The Uzbeks are simply able to get a better price by exporting their gas outside of the region than by selling it to their immediate neighbors or even to their own population. Moreover, this price differential is not likely to lessen significantly any time soon, and the opening of the market in Afghanistan for both Uzbek electricity and potentially for Uzbek gas as well, is already causing further dislocations in the Central Asian energy market. In November 2008 Uzbekistan announced that they were dropping out of the Central Asian electricity grid, and then Kazakhstan said that they too would leave, rather than assume responsibility for coordinating transmissions to the neighboring countries, or providing electricity that was not being paid for. While the grid was not supposed to be decoupled until December 1, 2009, on November 10 Tajikistan suffered the nearly complete closure of its electricity system, as a result of Uzbekistan's premature uncoupling of the electricity relays³⁰.

29 Vladimir Socor, "Russia Strengthening Its Monopoly on Uzbek Gas," Eurasia Daily Monitor Volume: 6 Issue: 16, January 26, 2009, [http://www.jamestown.org/single/?no_cache=1&tx_ttnews\[tt_news\]=34413](http://www.jamestown.org/single/?no_cache=1&tx_ttnews[tt_news]=34413).
30 Gulnara Toralieva, "Power Struggle Threatens Central Asia Power Grid,"

For a while it looked like economic reconstruction efforts in Afghanistan would lead to the international investment to complete the Kambarata and Rogun hydroelectric dams in Kyrgyzstan and Tajikistan respectively. But plans for creating a single electricity market in Central and South Asia (CASAREM) were slowed down by 2008, when the security situation in both Afghanistan and Pakistan began to deteriorate, and further worsened in 2009. The environment of regional and geopolitical competition also made these projects seem riskier to the international community. In 2007 when the interest of the international financial institutions in loaning money for completing the abandoned Soviet-era hydroelectric projects was piqued the Tajiks, and to a lesser extent the Kyrgyz, set up something of a bidding war, with both countries backing away from plans that the Russian industrialists and RAO UES (the Russian energy monopoly) were supporting. This led to some strains in Russia's relationship with both countries, most particularly Tajikistan, and created an impression in some quarters that the Kremlin was seeking to undermine the IFIs' strategy for Afghan recovery, at least so far as it meant creating alternative energy and transport corridors to that of Russia. The Uzbeks also began to actively campaign against the projects, demanding international assurances that their water security would not be adversely affected, and making it more difficult than ever for the IFIs to work in their country.

There has been a positive side to the IFIs backing away from immediate support of the CASAREM strategy, which is that more attention is being paid to projects that will create short and medium term relief of Tajikistan's and Kyrgyzstan's energy shortages, to repairing and modernizing the existing electricity generating stations, and to reform the electricity industry and its tariff structure. Although the pace of industry reform is still behind that of increasing generating capacity, it nonetheless increases that prospect that when and if the large hydroelectric stations do get constructed the excess capacity

The Times of Central Asia, November 23, 2009, http://www.timesca.com/index.php?option=com_content&task=view&id=205889&Itemid=7.



would be able to be diverted more to export (and hence produce more revenue) than would otherwise have been the case.

But the risks to regional security that are associated with the large hydro projects remain. The Tajiks have begun trying to complete Rogun with their own funding, vowing that even if it takes a decade, they will begin closing off the Vahsh River to dam it in spring 2010, which is sure to disturb the spring flow and, at least for now, could leave the downstream reservoirs short of water. The World Bank is currently trying to negotiate with the Tajiks and Uzbeks to create an international consortium (including all affected parties) that would share in the planning and operation of the project, and in return international funding would be made available for it. Russia angered the Tajiks by promising that any funding for hydroelectric stations would have to meet with the approval of all the affected parties, and then got the Uzbeks mad by promising to fund the construction of Kyrgyzstan's Kambarata project, when Bishkek was preparing to close the NATO base at Manas. While a new agreement was reached between Bishkek, the Russians are still promising the funding for the construction of Kambarata (in return for a majority interest in the project), albeit more slowly than the Kyrgyz had hoped for.

The Consequences of These Conflicts: Central Asian States Remain Vulnerable to Being Played Off Against Each Other

As a result of the environment of competition in Central Asian these states have not been able to maximize their collective bargaining power, to better manage their relations with both Russia and China. Instead, Russia in particular has been able to play these states off against one and another, increasing tensions in the region and to advance the idea that only Russia can serve as a stabilizer in the region.

To some degree the SCO has helped the Central Asian states collectively manage their relations with both of these large powers, and to use China to better

insulate them from Russia. But, as a former foreign minister of Tajikistan once confided, they have not managed to do this to the extent initially envisioned.

The SCO was founded in 1996 as the "Shanghai Five", as a confidence building measure by the states that inherited the former U.S.S.R.-Chinese border (Russia, Tajikistan, Kyrgyzstan, Kazakhstan and China). This grouping was renamed the Shanghai Cooperation Organization in 2001³¹. It was designed to manage relations along this partially demilitarized border. The actual negotiations on border delineation were carried out on a bilateral basis, and were quite divisive, in Kazakhstan and even more so in Kyrgyzstan, where lands were ceded to Beijing. For its part the SCO has yet to fully define its organizational mission. Created as a security organization, there seems very little likelihood that its member states would ever pursue any sort of joint military action in times of conflict. Similarly, Russia in particular has sought to advance the organization as an economic coordinating body, especially in the area of energy. But this has not gotten strong support from any of the other members. Finally, the membership of the organization has yet to be permanently fixed. India, Mongolia, Iran and Pakistan are observers, and occasionally Russia has advanced the idea that Teheran should be invited to become a full member (a decision which can only be made consensually). To date, since the SCO's formation only Uzbekistan has joined, and China is reported to be trying to keep the membership from expanding.

Neither Russia nor China has made substantial use of the SCO to advance its interest in the region. China's economic position in each of these countries has increased dramatically in the last five years, through Beijing's investment in the oil and gas industry in Kazakhstan, Turkmenistan, and Uzbekistan, and by China's aggressive use of loans and grants to all five countries, especially during the recent global crisis.

Kyrgyzstan's economists had hoped that their membership in the WTO (the only one of the Central Asian

31 <http://www.sectsc.org/>

nations to have gained membership) would turn them into China's gateway to the rest of Central Asia. While this has certainly increased the volume of transit trade going through Kyrgyzstan, the advantage has diminished over time as Chinese businessmen have preferred to develop ties on a bilateral basis, and have found ways to make direct inroads in each of these countries, and finding enthusiastic local partners eager to trade with them. Goods from China dominate most of the wholesale markets in Central Asia, crowding out goods from Russia, and reducing the incentive for local entrepreneurs to invest in their countries' own light industry sector. Similarly, investors from China are also moving into the light industry and service sector in several of these countries (Kazakhstan, Kyrgyzstan and Tajikistan in particular), and in Kazakhstan and Kyrgyzstan there is substantial concern that Chinese (Han) farmers are illegally establishing settlements especially in border regions³². But although Kazakhs, Kyrgyz and Uzbek policy-makers and politicians all offer the same fears with regard to the risks relating to China's economic "conquest" of the countries of the region, no regional organization has been strong enough or competent enough to try and regulate Beijing's growing role.

As already mentioned, the SCO's role in the economy has largely been of a declarative nature. EurAsEc³³ has yet to develop into an effective organization. The Eurasian Development Bank, which enjoys an associated status with EurAsEc is undercapitalized, and although it has funded several cross-border projects, they have been of a relatively marginal character³⁴.

Uzbekistan's decision in 2008 to suspend its

32 Throughout the 1990s Kazakhstan had an aggressive program designed to encourage the "return" of Kazakhs living beyond the country's borders, especially the "Oralman" (Kazakhs living outside of the U.S.S.R., mostly in China), and it appears that thousands of Han somehow managed to come in under this program as well.

33 EurAsEc, the Eurasian Economic Community, was organized in 2000, by Russia, Belarus, Tajikistan, Kyrgyzstan and Kazakhstan with the intent of creating a common economic space from these countries, through stages, by which common trade a tariff policies would be introduced, as well as joint economic projects and a joint foreign economic investment strategy. Uzbekistan joined EurAsEc in January 2005, at which time the Central Asian Cooperation organization was folded into it. Uzbekistan withdrew from the organization in October 2008.

34 The Eurasian Development Bank, was jointly organized by Russia and Kazakhstan, providing \$1 billion and \$500 million respectively in capital, and Tajikistan (adding \$500,000) and Armenia (\$100,000) joined in 2009. See, <http://www.eabr.org/eng/about/> and for a list of its projects see, <http://www.eabr.org/rus/projects/portfolio/>.

membership³⁵ means that there is little hope that any sort of regional mechanism for strengthening the capacity of the Central Asian countries to stimulate the development of a regional market that would stimulate the development of local industries (in light industry and in the service sector most specifically) is unlikely in the near or medium term. When the customs union³⁶ between Kazakhstan and Russia comes into existence in 2010, it will become even more difficult for EurAsEc to shape the terms of trade throughout the region. This customs union could also complicate efforts by CAREC³⁷ to facilitate trade and transport across the region.

The SCO is not yet able to play an independent role in addressing the national security needs of its member nations (other than stabilizing relations in border regions). While the member states share a definition of what constitutes a security threat (terrorism, extremist and secession) they have done very little to combat them in concert. There have been joint exercises, but there has been very little intelligence sharing, and most importantly there appears to be no likelihood of the SCO nations ever adopting anything like the degree of integration of command and control functions that are required for any sort of functional military bloc such as NATO or the CSTO.

NATO's presence in the region has not proved to be particularly divisive (especially by comparison to that of the CSTO), but NATO's presence has not helped to minimize the competition between the Central Asian states. The pervasive attitude of non-cooperation effectively doomed CENTRASBAT³⁸, a U.S. led effort in the late

35 There are various explanations for why Tashkent withdrew from EurAsEc, including that it was in response to the EU removal of sanctions against Uzbekistan. I give more credence to accounts that Uzbekistan wanted to better insulate its economy against the effect of the global financial crisis, by eliminating preferential investment terms for Russian and Kazakh capital, particularly since both countries were sending home seasonal labor from Uzbekistan.

36 Kazakhstan, Russia and Belarus are set to introduce a unified customs code in 2010, with the expectation being that most of the Kazakh and Russian tariffs will be unified by July 2010.

37 CAREC stands for Central Asian Regional Cooperation program of the Asian Development Bank, which focuses on improving economic cooperation of an eight state region through enhanced transportation links and technical assistance designed to enhance trade. These states are Armenia, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, Mongolia and the Xinjiang Autonomous region of China. See <http://www.adb.org/Carec/programs.asp>.



1990s to create a regional brigade (from Uzbekistan, Kyrgyzstan and Kazakhstan) to intervene in the event of inter-ethnic conflicts, leaving NATO to concentrate on bilateral measures to engage with the Central Asian states in projects involving reform of the security sector. The atmosphere of competition actually helped NATO get its second military base in the region; once Uzbekistan made the offer of Khanabad-Karsi, Kyrgyz president Askar Akayev became virtually desperate to get a similar facility placed in his country, so as not to risk changing the security balance in the region in Uzbekistan's favor, although that had never been NATO's intent.

To an outside observer it appears that Moscow's efforts to advance a common security structure, in the form of the CSTO, have been executed in a way to increase competition in the region so as to enhance Russia's ability to serve as stabilizer. Tashkent has been an "in and out" of the organization on two separate occasions. The CSTO was originally known as the Tashkent Security Cooperation, but Uzbekistan left the organization in 2002 in order to more closely ally itself with NATO, but rejoined in 2005 after the U.S. and EU sharply criticized Tashkent for refusing to hold an international inquiry into the civilian deaths in Andijan in May of that year³⁹. But as Uzbekistan's relations with NATO began improving in 2008, pressure from Russia for closer military cooperation also increased, which Tashkent choose not to yield to. Moscow (whose annoyance was likely heightened by the fact that it was continuing to pay Tashkent better than market price for its gas that year, when other countries were pressed to renegotiate) announced that it would be opening a new military base and regional training center at Osh in Kyrgyzstan, right near the border with Uzbekistan. Tashkent, believing that this base could be used to send CSTO forces into Uzbekistan (at the behest of Kyrgyzstan or even

Tajikistan), then chose to become an "inactive" member of the CSTO, and the Uzbek senate passed a resolution barring the deployment of Uzbek troops abroad, even for military exercises, which substantially limits Uzbek participation in the SCO as well.

Turkmenistan is so distrustful of Russia finding any wedge to enhance its role in its economy that Ashgabat refused to join NATO's northern supply route because it believed that these over land cargo caravans that originate in Russia would invariably be led by Russians and lead to Moscow gaining partial control of the freight traffic at Turkmenistan's borders⁴⁰. Turkmenistan stopped shipping gas to Russia in April 2009⁴¹, after a mysterious explosion in their gas pipeline system, and has been able to compensate for this largely because of a large loan from China, who is effectively buying Turkmenistan's gas forward.

Similarly, the perception that Russia has played the Caspian energy producers against one another, and generally ill-treated them is one of the contributing factors in the U.S. and EU support for the development of new east-west transport corridors that by-pass Russia. Obviously the distinction between the use of hegemonic power and aggressively pursuing commercial advantage almost always varies according to what is the advantage in the eye of the beholder. But nonetheless, there is no question that the Central Asian states perceive themselves at a comparative disadvantage because of their relative lack of alternative pipeline routes, and they have never been able to effectively launch a common front against Russia.

There was some hope among the Central Asian states that Saparmurad Niyazov's death would lead to growing cooperation among the three export gas producing states. Nazarbayev tried to play the role of "big brother" to Gurbangoly Berdimuhamedov in the early days of his presidency, attending Niyazov's

38 See Global Security CENTRASBAT, <http://www.globalsecurity.org/military/ops/centrasbat.htm>, and for a discussion of NATO activities in Central Asia more generally see NATO "Partners in Central Asia," http://www.nato.int/ebookshop/backgrounders/partners_central_asia/partners_central_asia-e.pdf.

39 For a contemporaneous account see International Crisis Group Briefing, "Uzbekistan: The Andijan Uprising," May 25, 2005, http://www.crisisgroup.org/library/documents/asia/central_asia/b038_uzbekistan_the_andijon_uprising_edited.pdf.

40 Turkmenistan does allow for humanitarian air cargo for Afghanistan to land in the country and transit over land into Afghanistan.

41 Turkmen gas sales to Russia are set to resume on January 10, 2010, at a reduced level of 30 bcm for the year, and to be purchased by Gazprom at European prices, with a netback to reflect Gazprom's claimed transport costs

funeral and offering the Turkmen government access to the expertise of the Kazakh government in the oil and gas sector, and assistance more broadly should they want it. Very little came of this strategy for a number of reasons. While the Kazakhs were able to develop some business interests in the country, including in the oil and gas sector and in banking, they were not able to craft for themselves something of a privileged position in Turkmenistan's economy. Moreover, their enthusiasm for doing so was likely dampened after Russia's invasion of Georgia which left Kazakhstan with billions of dollars of frozen investments⁴².

Even though Uzbekistan's relationship with Ashgabat improved, with an exchange of state visits, and a substantial lessening of tensions in the border regions between the two countries, the Uzbeks are not willing to trust any of their energy interests to Ashgabat. Furthermore, Tashkent's rivalry with Astana doomed Nazarbayev's impulse from the onset. Added to this, though, was the fact that Russian President Putin has been a better games player, making various promises to try and gain the assent of both the Turkmen and Kazakh leaders to building a new gas pipeline which is to run along the Caspian coast, but then reneging on what the Kazakhs in particular believed were going to be Russian concessions on the CPC pipeline.

In the end Turkmenistan's leadership didn't want to grow too close to any regional state, enjoying its relative isolation (aided by positive neutrality) and closed nature of the economy. And China was just so much more an attractive partner than any Soviet-style machinations, given that Ashgabat doesn't have a border with them.

Part of Russia's strategy has been to play the Central Asian states off against each other, in order to maximize Gazprom's bargaining advantage⁴³. The lack of transparency in the gas industry's of some of these country's has helped facilitate this, allowing Gazprom to negotiate

separate gas purchase prices from each, and to design wholly separate transit agreements. For example Gazprom buys Turkmen gas at the Uzbek border, but Uzbekistan handles the transit of its own gas, up to the Kyrgyz border where Gazprom buys it and sells it to the Kyrgyz, whom they promised (but did not deliver) lower purchase prices. Gazprom also manages the swap of Uzbek gas in southern Kazakhstan for Kazakh gas at the border to Russia. The Russians paid the Uzbeks higher than average in the region for gas purchases in 2008, because they agreed to co-finance repairs to part of the CAC pipeline system through the region, and then turned around and tried to press Kazakhstan and Turkmenistan into similar arrangements (unsuccessfully). But through all Russia's machinations the Central Asian states have failed to develop even an informal cooperative mechanism in their gas industries, preferring to keep their dealings with Moscow a secret. The distance is further preserved by the fact that in some countries the ruling families are either openly (Kazakhstan) or reportedly (Uzbekistan) involved in the gas sector themselves.

China's growing role in the region's oil and gas sector could dramatically reduce Russia's influence, far more than any existing or planned alternative west-bound oil routes. Chinese investment in this sector dates from the mid-1990s in Kazakhstan and has dramatically expanded in the past five years⁴⁴. A new gas pipeline moving Turkmen gas eastward to China will open in December, 2008, and is slated to move 30 bcm of Turkmen gas across Uzbekistan, Kazakhstan and China within the next five years, expanding to 40 bcm. More importantly, China has loaned Turkmenistan \$3 billion for gas field development that will help the country to offset losses from cutting off gas sales to Russia, and also used the financial crisis to bolster their position in Kazakhstan's oil and gas sector, where they now own more than a third of that country's on-shore reserves.

China has also been quick to offer billions of dollars in lines of credit to the various Central Asian states, including providing major support for transport projects

⁴² John C.K. Daly, "Analysis: Kazakh investment in Georgia's energy sector," April 9, 2009, http://www.upi.com/Science_News/Resource-Wars/2009/04/09/Analysis-Kazakh-investment-in-Georgias-energy-sector/UPI-81991239300029/.

⁴³ For Gazprom's own account of its relations with the Central Asian countries see <http://www.gazprom.com/production/central-asia/>.

⁴⁴ See the accompanying paper on Caspian energy and security for details.



in both Kyrgyzstan and Tajikistan, so that Beijing's enhanced role in these two countries is as significant as it is in the oil and gas rich states. It too has come into Afghanistan, buying that country's largest mineral extraction project, helping insure an increasing role for China in greater Central Asia. Beijing has pursued its strategy almost entirely on a bi-lateral basis, supporting international initiatives like CAREC's efforts at transport and trade facilitation because they advance China's economic interests. But although Beijing has endorsed the idea of enhancing the role of the SCO in the economic sector, but not doing anything practical to actually achieve this, quite possibly in part because that could provide a regional setting that could potentially moderate China's influence, or at least balance it with Russia's.

Many in the region fear that in the end the Central Asian states will find themselves as dependent on Beijing's will as they have been on Moscow, and that they would be totally unable to pursue any sort of independent economic strategy if China and Russia were ever to develop any sort of energy consortium, or a deeper form of economic cooperation. While Central Asia's leaders are growing increasingly more competent in managing relations with China (including through the inclusion of more Chinese speaking policymakers in top positions in Kazakhstan and Kyrgyzstan in particular), this is a relationship which the Central Asian elite are less skilled at in general than they are in their relationships with Russia. All of Central Asia's elite is still composed of fluent Russian speakers, and while not all served in Soviet-era party and state institutions, even the younger generation shares educational and other socializing experiences with the new generation of Russian elite, which is only true of a small percent of the elite and their Chinese counterparts.

Looking Ahead: By Way of Conclusion

With every passing year the republics that all were a part of a common whole drift further and further apart. Each has been steadily developing its own identity and its own

economy. This is an entirely normal process, and should surprise no one. Cross-border economic links that were solely artifacts of Kremlin policy-making have broken and new ones are being forged. In many cases they reflect market forces, but in other instances they are the product of rulers who continue to pursue state-directed economies.

Geography still dictates many of the transportation and communication networks, with geopolitics adding another set of restrictions. While the old road and rail routes across Russia still dominate commercial exchanges, new transport links have developed that are joining up these countries with a broader swath of the global community. While this is going more slowly than many had hoped, and even predicted, given security challenges of crossing Afghanistan and U.S. sanctions against Iran, it is obvious that the twenty-first century patterns of interaction between these countries will differ significantly from those of the nineteenth and twentieth century when Moscow's interpretation of geography was all that counted.

The differences between the Central Asian states are likely to be further cemented once the current generation of Soviet-era leaders passes from the scene. From that time on the region's elite will lack common socialization. They may even lack a common language in which to talk among themselves. The elites who come to power will be ruling populations who have been taught highly ethnocentric versions of their national histories' and now are accustomed to view their neighbors with distrust. With every passing year the Soviet-era flow of people and goods across republic boundaries becomes ever more distant, and the ties of separated families and of a common linguistic heritage increasingly more attenuated.

This will change the tone of interaction between these states, and could well normalize it. Relations may well improve between Kazakhstan and Uzbekistan, and possibly even between Uzbekistan and both Kyrgyzstan and Tajikistan. While they may find the precedent of competition rather than cooperation is already well established, economics rather than personality is likely

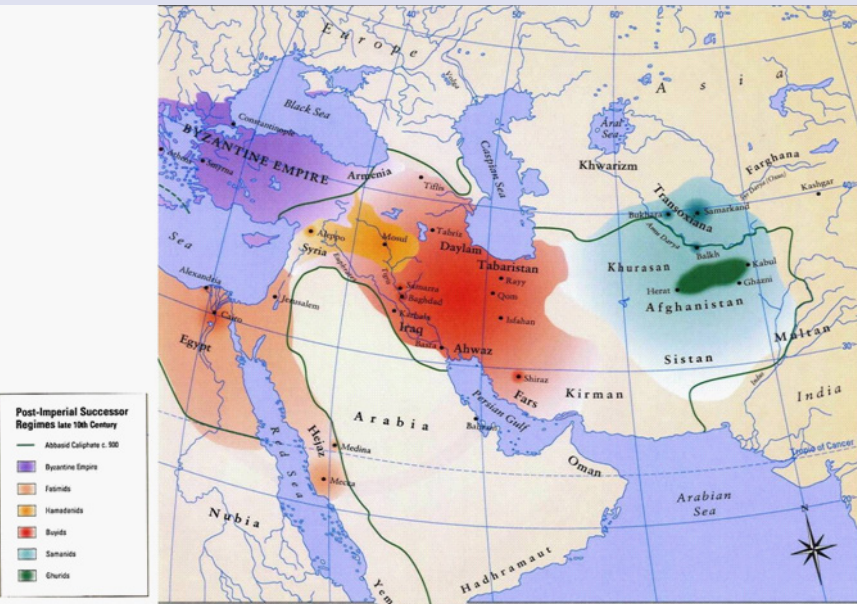
to be a deciding factor in whether regional economic projects are seen in a new light.

There are too many intangibles to offer anything but the vaguest predictions. Should Uzbekistan deregulate its economy, new cross border economic linkages would quickly develop; if Kazakhstan's economy resumes growth at anything like pre-2008 rates then Astana and Kazakh capital could play a major role in creating economically sustainable links with Kyrgyzstan and Tajikistan; if the customs union between Russia, Kazakhstan and Belarus prospers, it too could serve as a major force for greater economic integration with Kyrgyzstan and Kazakhstan as well; China has the financial capacity to greatly expand its presence in the region, in ways that dictate the structure of the economies of the region.

At the same time the triggers for conflict will still remain, and the conditions associated with climate change create new and enhanced risks for their exacerbation. But the breakdown of old economic patterns and economic interactions give hope that regional competitions will not become the basis of armed conflict in the future. While there is certainly cause for pessimism there is also reason for hope, and maybe worsening climatic conditions will finally serve as a spur for further economic reform, and with it new market driven forms of cooperation.

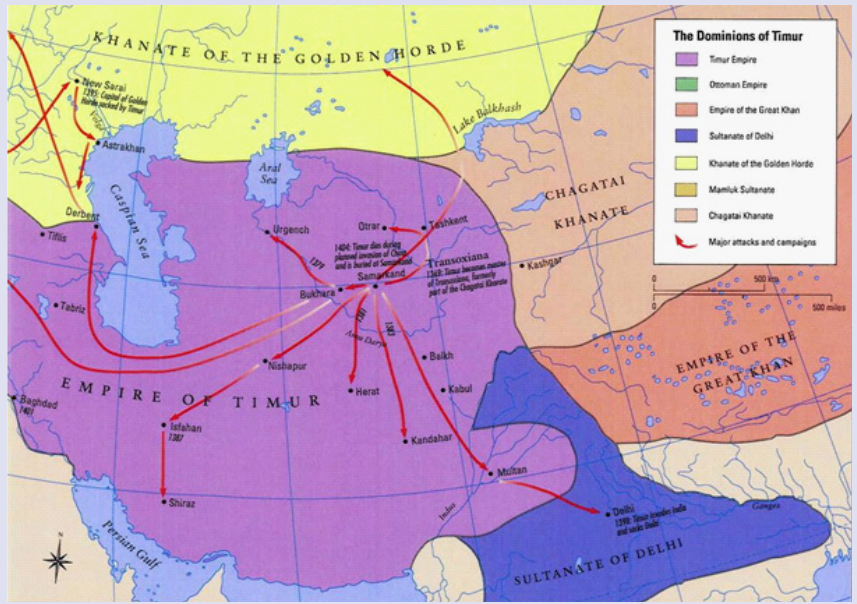
Appendices

Appendix A | Historical Atlases of Central Asia
10th Century



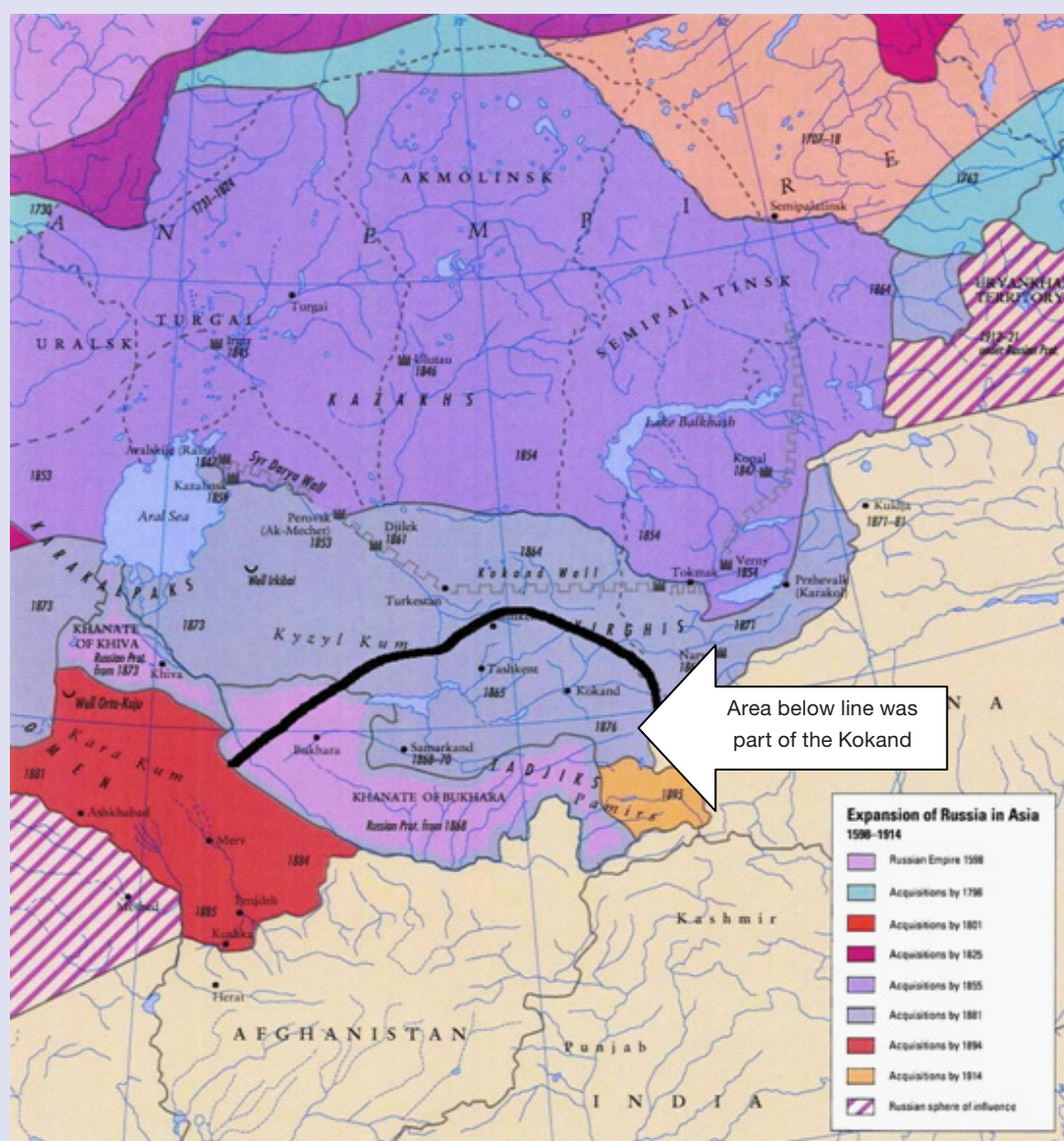
Source: Malise Ruthven and Azim Nanji, Historical Atlas of the Islamic World (Cartographica, 2005), pp. 41.

Appendix A | Historical Atlases of Central Asia
Late 14th Century

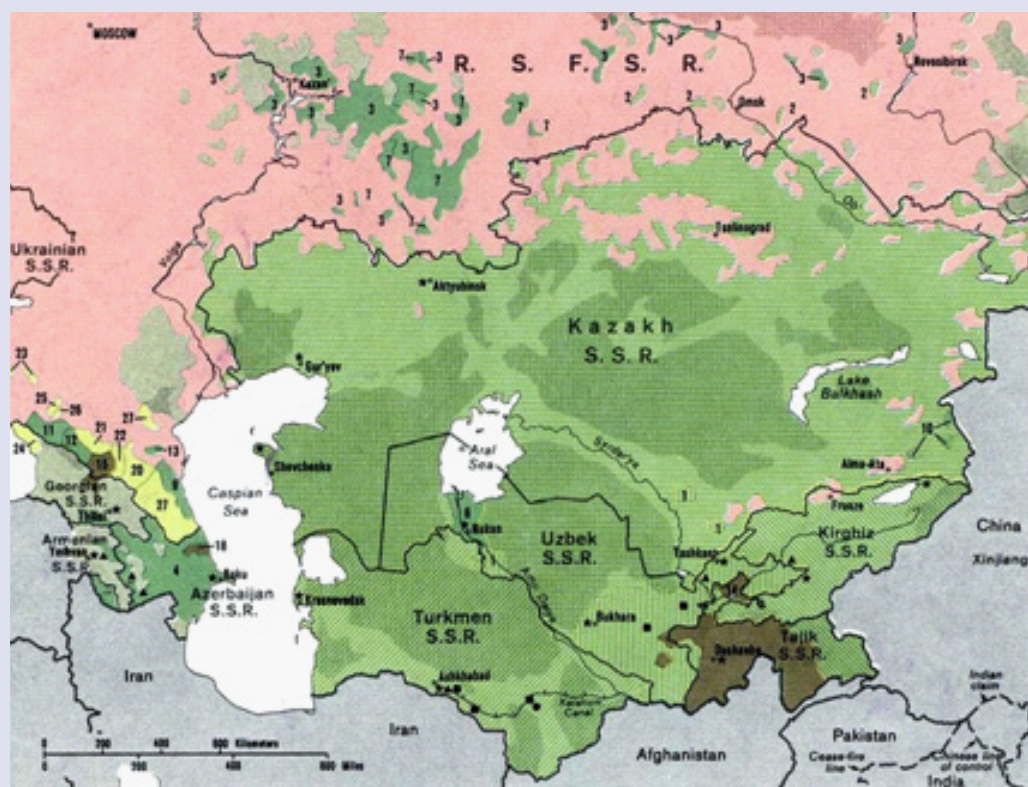


Source: Malise Ruthven and Azim Nanji, Historical Atlas of the Islamic World (Cartographica, 2005), pp. 95.

Appendix A | Historical Atlases of Central Asia
16th-20th Century



Source: Malise Ruthven and Azim Nanji, *Historical Atlas of the Islamic World* (Cartographica, 2005), pp. 105.



Turkic Peoples

	1979 Population (in thousands)
1 Uzbeks	12,456
2 Kazakhs	6,556
3 Tatars	6,317
4 Azerbaijanis	5,477
5 Turkmens	2,028
6 Kirghiz	1,906
7 Bashkirs	1,371
8 Karakalpaks	303
9 Kumyks	228
10 Uighurs	211
11 Karachays	131
12 Balkars	66
13 Nogays	60

Iranian Peoples

	1979 Population (in thousands)
14 Tajiks	2,898
15 Ossetins	542
16 Kurds	116
17 Iranians	31
18 Tats	22
19 Baluchis	19

Peoples of the Caucasus

	1979 Population (in thousands)
20 Chechens	756
21 Kabardians	322
22 Ingush	186
23 Adygeys	109
24 Abkhaz	91
25 Cherkess	46
26 Abazins	29
27 Dagestani peoples:	
Avars	483
Lezgins	383
Dargins	287
Laks	100
Tabasarans	75
Rutuls	15
Tsakhurs	14
Aguls	12

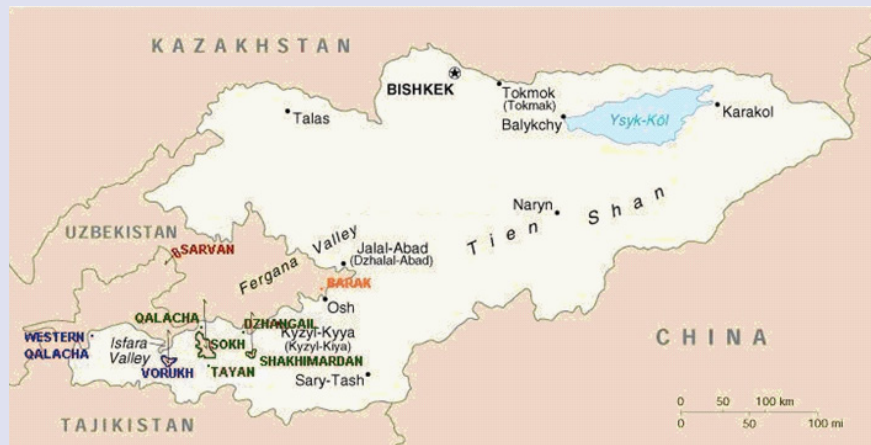
★ Slavic peoples (primarily Russian and Ukrainian)

Other non-Muslim peoples

Sparsely populated area

Source: M.U.S. Central Intelligence Agency, "Muslim Peoples in the Soviet Union, 1981, https://www.lib.utexas.edu/maps/commonwealth/soviet_muslim_peoples.jpg, (accessed November 23, 2009).

Appendix B | Map of Ethnic Enclaves Kyrgyzstan



- Tajik Enclaves in Kyrgyzstan
- Tajik Enclave in Uzbekistan
- Kyrgyz Enclave in Uzbekistan
- Uzbek Enclaves in Kyrgyzstan

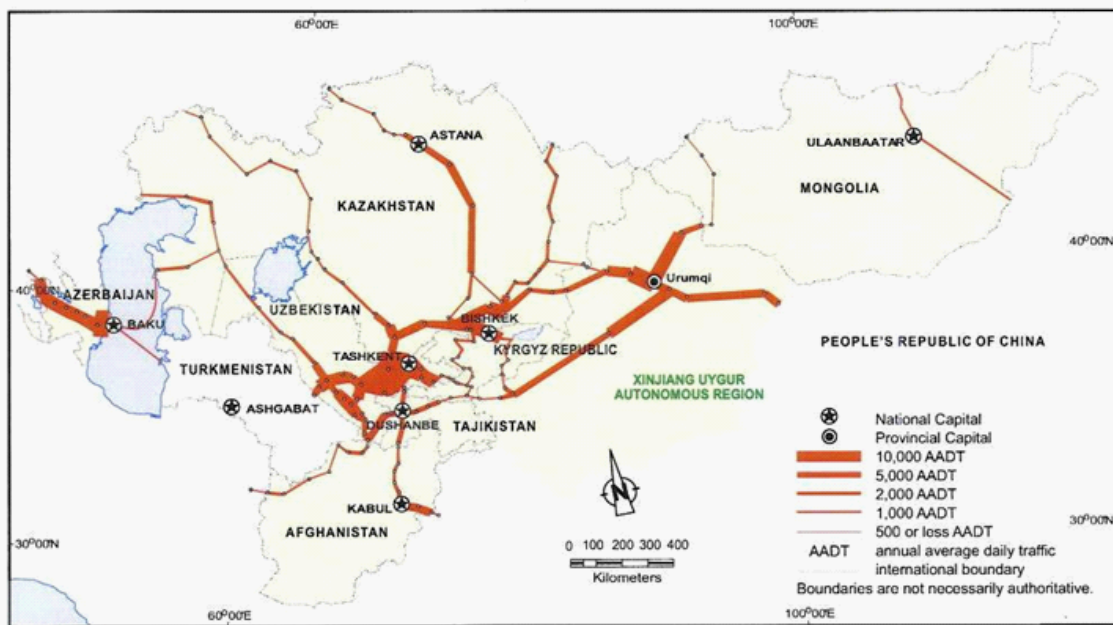
Source: Rob Robinson, "Enclaves of the World," <http://enclaves.webs.com/centralasia.htm> (accessed November 23, 2009).

Appendix C | Transportation Uzbekistan

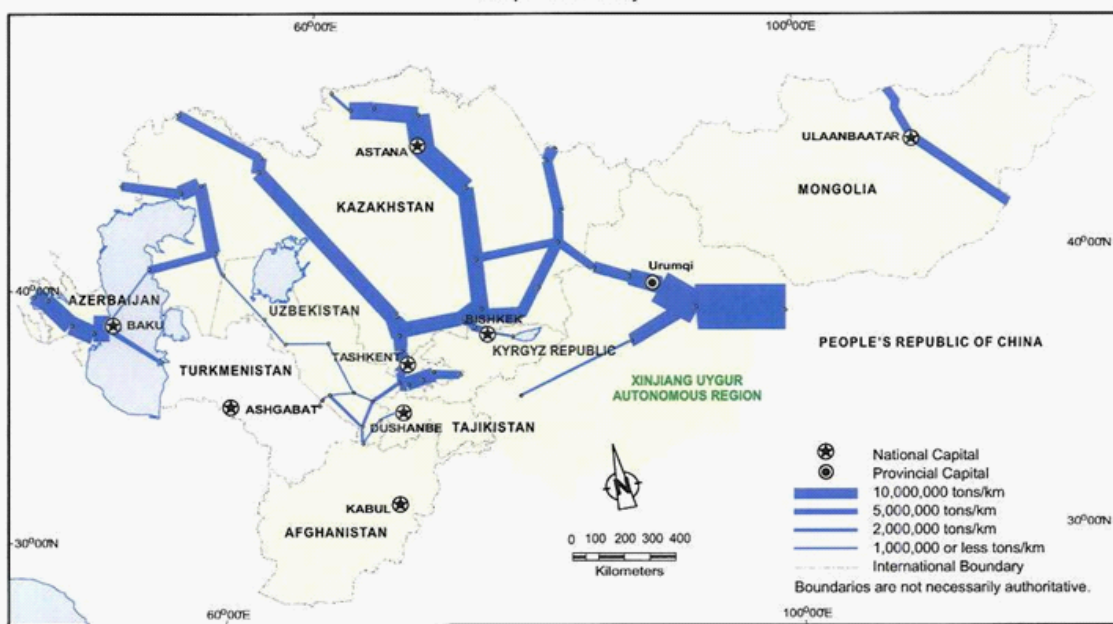


Source: United Nations, "Uzbekistan," Map No. 3777 Rev. 6, January 2004, <http://www.un.org/Depts/Cartographic/map/profile/uzbekist.pdf>.

Appendix C | **Transportation**
Road and Railway Traffic Density in Central Asia



Map 2.2: Railway



Source: "CAREC Transport and Trade Facilitation: A Partnership for Prosperity," (Manila, Philippines: Asian Development Bank), 2009, <http://www.adb.org/Documents/Reports/Carec-Transpo-Trade-Facilitation/CAREC-Transpo-Trade-Facilitation.pdf>, pp. 8.

Appendix

D

Oil and Gas Pipelines

Proposed and Existing Natural Gas Pipelines



Source: Official Energy Statistics from the U.S. Government, Energy Information Association, "Kazakhstan- Maps and Tables," <http://www.eia.doe.gov/emeu/cabs/Kazakhstan/MapsTable.html>, (accessed November 24, 2009).

Appendix

D

Oil and Gas Pipelines

Proposed and Existing Oil Pipelines



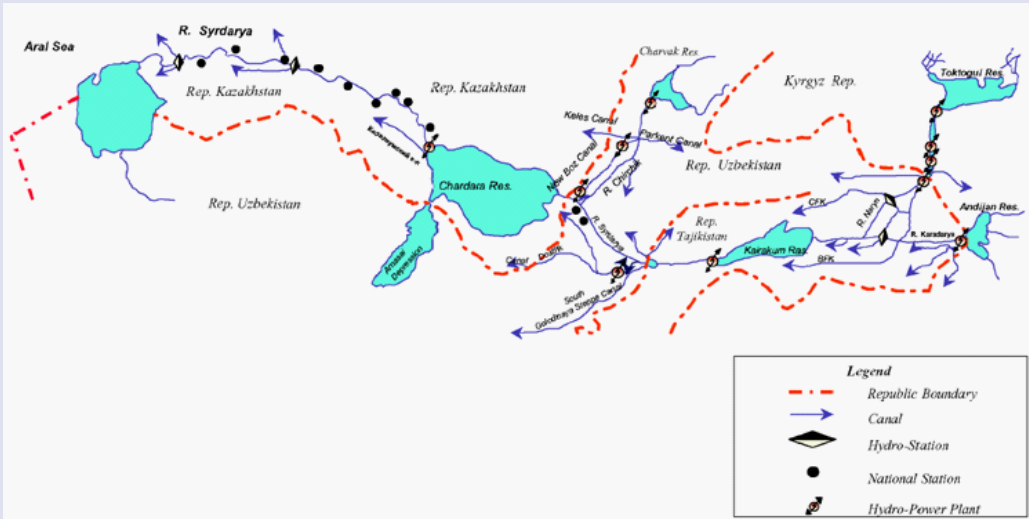
Source: Official Energy Statistics from the U.S. Government, Energy Information Association, "Kazakhstan- Maps and Tables," <http://www.eia.doe.gov/emeu/cabs/Kazakhstan/MapsTable.html>, (accessed November 24, 2009).

Appendix

E

Cascades and Hydropower Reservoirs

Main Reservoirs and Hydropower Facilities of the Syr Darya Basin



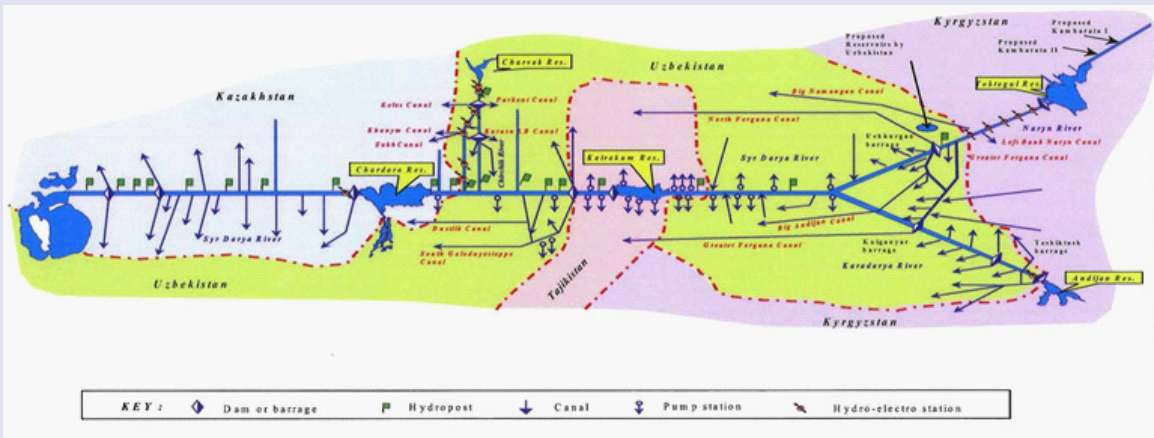
Source: Raghuvweer Sharma, Anil Markandya, Masood Ahmad, Marat Iskakov and Venkataraman Krishnaswamy, "Water Energy Nexus in Central Asia Improving Regional Cooperation in the Syr Darya Basin," (Washington D.C.: The World Bank, Europe and Central Asia Region), January 2004, pp. 2.

Appendix

E

Cascades and Hydropower Reservoirs

Detailed Diagram of Main Reservoirs and Hydropower Facilities of the Syr Darya Basin



Source: Raghuvweer Sharma, Anil Markandya, Masood Ahmad, Marat Iskakov and Venkataraman Krishnaswamy, "Water Energy Nexus in Central Asia Improving Regional Cooperation in the Syr Darya Basin," (Washington D.C.: The World Bank, Europe and Central Asia Region), January 2004, pp. 23.

Appendix E Cascades and Hydropower Reservoirs



Source: Raghuvir Sharma, Anil Markandya, Masood Ahmad, Marat Iskakov and Venkataraman Krishnaswamy, "Water Energy Nexus in Central Asia Improving Regional Cooperation in the Syr Darya Basin," (Washington D.C.: The World Bank, Europe and Central Asia Region), January 2004, pp. 35.

Appendix F Cost Analysis of Power versus Irrigation Regime Cost and Benefit Analysis for Kyrgyz Republic, Uzbekistan, and Kazakhstan

Indonesia	Power Regime (low summer and higher winter discharges)	Irrigation Regime (higher summer and restricted winter discharges)
Costs to Kyrgyz Republic (millions)	\$13.4	\$48.5
Benefits to Uzbekistan (millions)	\$10.5	\$46.3
Benefits to Kazakhstan (millions)	\$8.4	\$39.9
Sub Total of Benefits (millions)	\$18.9	\$86.2
Net Basin Benefit (millions)	\$5.5	\$37.7

Data Source: Raghuvir Sharma, Anil Markandya, Masood Ahmad, Marat Iskakov and Venkataraman Krishnaswamy, "Water Energy Nexus in Central Asia Improving Regional Cooperation in the Syr Darya Basin," (Washington D.C.: The World Bank, Europe and Central Asia Region), January 2004, pp. v.

Appendix
G**Management Agreements in the Major Transboundary River Basins in Central Asia**

Basin	Riparian Nations	Management Agreements
Amu Darya	Afghanistan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan	1992 Aral Sea Basin Water Allocation and Management (including Syr Darya but not Afghanistan); 1993 Aral Sea Basin Program and 1994 Nukus Declaration on Aral Sea Basin Management (including Syr Darya but not Afghanistan); 1999 Revised Mandate of the International Fund for Saving the Aral Sea (including Syr Darya but not Afghanistan)
Chui and Talas	Kazakhstan, Kyrgyzstan	2002 Kazakh-Kyrgyz Preliminary Agreement for Joint Use and Management
Ili-Balkash	Kazakhstan, People's Republic of China	2003 Kazakh-Chinese Preliminary Agreement for Joint Use and Management
Irtys	Kazakhstan, People's Republic of China, Russian Federation	1992 Kazakh-Russian Joint Use and Protection of Transboundary Waters (covers Ishim, Irtys, Ural, Tobol and Volga); 2003 Kazakh-Chinese Preliminary Agreement for Joint Use and Management
Ishim	Kazakhstan, Russian Federation	1992 Kazakh-Russian Joint Use and Protection of Transboundary Waters (covers Ishim, Irtys, Ural, Tobol and Volga)
Syr Darya	Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan	1992 Aral Sea Basin Water Allocation and Management (including Amu Darya); 1993 Aral Sea Basin Program and 1994 Nukus Declaration on Aral Sea Basin Management (including Amu Darya); 1998 Framework Agreement on Rational Water and Energy Use; 1999 Revised Mandate of the International Fund for Saving the Aral Sea
Tobol	Kazakhstan, Russian Federation	1992 Kazakh-Russian Joint Use and Protection of Transboundary Waters (covers Ishim, Irtys, Ural, Tobol and Volga)
Ural	Kazakhstan, Russian Federation	1992 Kazakh-Russian Joint Use and Protection of Transboundary Waters (covers Ishim, Irtys, Ural, Tobol and Volga)
Volga	Kazakhstan, Russian Federation	1992 Kazakh-Russian Joint Use and Protection of Transboundary Waters (covers Ishim, Irtys, Ural, Tobol and Volga)

Source: "Strategy and Project Activities to Support Improved Regional Water Management in Central Asia," (United Nations Development Programme), July 2004, pp. 26.

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Email: info@emergingmarketsforum.org