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*UNLOCKING THE ASSETS: ENERGY AND THE FUTURE OF CENTRAL
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CENTRAL ASIA: CONFRONTING INDEPENDENCE

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Introduction

After the euphoria of gaining independence settles down, the elites of each new sovereign country inevitably stumble upon the challenges of building a viable state. The inexperienced governments soon venture into unfamiliar territory when they have to formulate foreign policy or when they try to forge beneficial economic ties with foreign investors. What often proves especially difficult is the process of redefining the new country's relationship with its old colonial ruler or federation partners.

In addition to these often-encountered hurdles, the newly independent states of Central Asia-- Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan-- have faced a host of particular challenges. Some of these emanate from the Soviet legacy, others--from the ethnic and social fabric of each individual polity. Yet another group stems from the peculiarities of intra-regional dynamics. Finally, the fledgling states have been struggling to step out of their traditional isolation and build relations with states outside of their neighborhood. This paper seeks to offer an overview of all the challenges that the Central Asian countries have confronted in the process of consolidating their sovereignty.

The Soviet Legacy and the Ensuing Internal Challenges

What best distinguishes the birth of the Central Asian states from that of any other sovereign country is the incredible weakness of pro-independence movements throughout the region. In fact, both the elites and the masses were reluctant to leave the imperial union to which their homelands belonged.

The Central Asian republics had been the most Soviet of all in more ways than one. Their elites never challenged Moscow's authority and the populations loyally followed the leadership's directives. Mikhail Gorbachev's reform program of the mid-1980s was greeted with much less enthusiasm here than there elsewhere in the Soviet Union, especially since it was the traditional culture of the Central Asians that was frequently cited by the communist leader as the aspect of Soviet life which most needed reform. Popular-front-style organizations that agitated for greater sovereignty on cultural and some economic issues did develop in all of these states, save

Turkmenistan, generally with at least some support from the local communist party elite. These groups, however, were all strikingly different from the mass-supported national independence movements that were emerging in the three Baltic states and in Ukraine, Armenia, Azerbaijan, and Georgia.

While the authority of the Communist party was collapsing elsewhere, the organization continued to thrive in most of the Central Asian republics. Here, as elsewhere in the Soviet Union, there were violent outbursts in the late Soviet years, most notably in the Fergana Valley (in Uzbekistan) in 1989, and then just across the border in Osh, Kyrgyzstan, a year later. Neither conflict, however, gave rise to well-organized movements for independence or even political autonomy.

Between 1990 and 1991 the legislative bodies of most constituent Soviet republics adopted sovereignty declarations. In March 1991, an all-union referendum on the future of the Union unequivocally showed that voters in the Baltics, Armenia, Moldova, Georgia supported their countries' independence. Throughout Central Asia, however, more than 9 out of 10 participants indicated a desire to preserve the Soviet Union.

Partly the region's quiescence could be explained by what from the outside seemed to be a negative form of political inertia--Asian habits of deference to leaders and the continued force of patriarchal culture. There is, however, at least one positive justification for the Central Asian masses support for the Soviet Union, and that rests in the fact that they had derived a number of large and genuine benefits from the Soviet system. There was a general consensus among Soviet Central Asians that they lived better than the huge majority of other Muslims elsewhere in the world did. Indeed, they enjoyed superior medical care, education, and social benefits as compared to the citizens of Egypt, Iraq or Afghanistan. Similarly, despite the widespread racial bias and ethnic discrimination in the Soviet Union, the system was comparatively meritocratic, and ambitious Central Asians could "dream big". Even some talented women were able to move upward.

Again in contrast with the rest of the Soviet Union, the Central Asian republics did not see the rise of popular, nationalist-minded figures, who in other new states of modern history have

become revered 'Founding Fathers'. Three of the five men, who were sworn in as the first presidents of these new nations (Saparmurad Niyazov of Turkmenistan, Islam Karimov of Uzbekistan, and Nursultan Nazarbaev of Kazakhstan) were originally appointed by Moscow. A fourth, Askar Akaev of Kyrgyzstan, though elected by the local parliament, was tacitly approved by the Soviet leadership. All of the leaders were beneficiaries of the Soviet system--Nazarbaev was the son of a cowherd, whom the system sent first to technical university and then to administrative training; Akaev was trained as a physicist, and lived in the intellectually hothouse of Leningrad for 17 years; Niyazov was a war-orphan who was partly raised by state institutions before being sent on to higher education; and Karimov, who also spent part of his childhood in an orphanage, was trained as an aviation engineer and economist.

Due to the lack of both popular or elite support for independence, the Central Asian states were the last to declare independence. Turkmenistan, Kyrgyzstan, Tajikistan, and Uzbekistan declared independence as late as the fall of 1991. Kazakhstan trailed behind all Soviet republics, and announced the assumption of sovereignty on December 16, 1991, a week after the Soviet Union had already been officially disbanded.

The Central Asians insistence on preserving the union was a well-founded result of several realizations. Firstly, the level of national self-awareness throughout the region was quite low. Not only did none of the Central Asian states have a history of previous statehood, but also their boundaries and even the peoples for whom they were named were, to a great extent, political creations of the Soviet period. Secondly, the checkered demographic and religious make up of the new entities forebode the difficulties associated with the integration of all communities into a single nation. Finally, the region constituted a common geopolitical, cultural, and religious space and the leaders recognized the great challenges that interdependence and dependence on the former metropolis would pose to the new sovereign states.

In Central Asia, unlike in some other parts of the decaying Soviet Union, even had the local authorities permitted it, the historical precedents upon which agitators might build an argument for nationhood were simply more tenuous. From 1918 until late 1919 or early 1920 parts of present-day Kazakhstan were fitfully administered by a group which called itself the Alash Orda, or Horde of Alash (the name of the legendary founder of the Kazakh people). The steppe, which

these people attempted to administer, was in the throes of civil war, and was also claimed by Russians, of both the Red and White forces. Moreover, the Alash Orda never asserted a desire for full statehood, but rather for some form of federate sovereignty within a larger state framework. Since the Kyrgyz and Kazakhs were then considered to be one people, that movement might be said to have embraced at least the northern Kyrgyz. Properly speaking, the Uzbeks too had no previous state existence, but the territory that is now Uzbekistan—a fertile crescent between two rivers—has one of the world's longest and richest histories, from which sprang a number of states and empires. At the time of the Russian revolution, there were two nominally independent states—in fact protectorates of the Russian Empire—on that territory, the Emirates of Bukhara and Khiva. A third state, the Kokand Khanate, had been destroyed in the 1870s, in the process of Russia's conquest of the region. The territory of present-day Tajikistan lay mostly in the Emirate of Bukhara and Kokand.

Prior to the Russian conquest, further sub-divisions, based upon clan, kinship, village or city of residence and language, were most important, and continue to play a critical role up through the present. The names by which the various states are now called all existed before the Soviet period, but they did not originally denote nationalities. The terms "Uzbek" and "Kazakh" seem originally to have been military designations (something like "regular troops" and "irregulars", respectively); what became the Kazakhs arose when a disaffected prince left his Uzbek home to move north. Later Kazakhs and Kyrgyz were considered to be one people (all called Kirgiz); while the distinction between Tajik and Uzbek was largely imposed on the basis of primary language, during the political maneuvering of the 1920s.

Seven decades of Soviet propaganda have succeeded in strengthening these denominators as ethnic identities. However, the evidence suggests that most of the eponymous peoples of Central Asia do not define their identities exclusively through these over-arching ethnic markers. Rather ties to clan, kin, and, in some cases, region of residence or birth are often at least as critical and sometimes even more important.

Most Turkmens, for example, define their primary allegiance not to a national ethnic identity, but rather to one of the five major clans, whose tribal "seals" adorn the left margin of the country's new flag. This clan structure, which has dominated Turkmenistan for centuries, continues to

determine a great deal of local politics. Indeed, one of the reasons that President Saparmurad Niyazov was originally brought in as first secretary by Gorbachev was that, as an orphan, he was regarded as being "clan-neutral."

Clan politics are becoming increasingly pronounced in both Kazakhstan and Kyrgyzstan as well. In Kazakhstan, the sub-national identity is to one of three so-called Hordes (zhus, meaning also 'Hundred')--the Lesser, the Middle and the Great horde (the adjectives are quantitative, not qualitative). In nomadic times these were large groups of small family units, all of whom shared both ties of blood and a large region through which they migrated with their flocks. The so-called Lesser and Middle Hordes were further north and thus nearer the Russians, so their descendants gradually became most Russified, and also were the early nationalists whom Stalinism obliterated. The members of the Great Horde lived further south, and therefore were more likely to suffer from the harsher conditions of late Imperial rule. As a result they tended to keep more of their culture intact and often became socialists, thus contributing more people to the Soviet-era administrators. Since independence the Great Horde has had a disproportionate lock on positions of power, allowing members of this clan to increase their influence in sovereign Kazakhstan.

The politics of clan ties have contributed to the destabilization of Kyrgyzstan's south, which is cut off from the nation's capital city of Bishkek by a ten-hour drive over rugged mountain roads. The road is slated for improvement, but even with better transport, clan politics are likely to keep the north-south divide profound. The southern clans (near Uzbekistan) are traditionally less consolidated than those of Talas (near the Kazakh border) or the northern provinces, where the most powerful clans can be found. In the northern regions clan loyalties generally eclipse the national ethnic identity and the pressures of clan politics have meant that administrators are increasingly placed into positions of responsibility not because of their skills, but because of their blood ties.

While some remnants of clan-like systems exist in Uzbekistan and Tajikistan, the focus in these countries rests more on large extended family connections, and upon so-called quartal associations. While business is conducted mainly through the first kind of connections, the second type plays an enormous role in the shaping of public life. The quartal associations, or

mahalle, which govern neighborhoods, parts of large apartment complexes, or small villages, are in effect self-generated local governments, which undertake the task to ensure the fulfillment of traditional rituals.

There are several reasons why such traditional organizational devices remain strong in Central Asia; prominent among them is the reverence for ancestry and lineage which all of the Central Asians share. It is standard in many of these societies that a person be able to name his so-called "seven fathers," or the seven generations of male ancestors, who precede him. People identify themselves as being from the clan, and even region of these forebears, even though they may have lived elsewhere for a couple of generations.

Since the outset of independence the region's leaders have struggled with the task of strengthening the weak sense of nationhood among the Central Asian peoples. The Soviet-trained presidents took the collapse of the Soviet Union as synonymous with their republics national liberation. Thus each of these men perceived their new states to be the national homelands of the community whose name they bore. As a result the three pillars of their nation-building strategies became the resuscitation of the indigenous languages, the revival of religion, and the reinterpretation of history.

Soon after gaining independence all Central Asian legislatures passed laws, which granted the titular nationality's language the status of official language. These so-called 'language laws' envisioned a gradual transition away from Russian in all spheres of public life. Non-indigenous-language speakers were given a deadline by which to master the new language.

In societies like Uzbekistan and Turkmenistan, where the level of mastery of the native language had always been high, the shift has pretty much taken place already. While Kazakhs and Kyrgyz also feel increasingly obliged to use their native language in preference to Russian, the transition has been much more painful. In Kazakhstan, many adults simply do not know their 'own' language. In Kyrgyzstan, many senior officials and other members of the Soviet elite had attenuated language skills, which they have been forced to strengthen since independence. Still, it is curious to note that during his last visit to the US in June 1997, President Akaev addressed his audiences in Russian, even though the interpreter was also Kyrgyz.

The return to pre-Soviet norms of self-identity has also brought back the awareness that a Central Asian perhaps ought to behave like a Muslim, even if he in actuality does not practice the religion. Most of the return to Islam which is evident today in Central Asia should thus be seen in the context of this effort to restore cultural continuity. Much of the rising profile of Islam which has been in evidence in Central Asia, and which has occasioned so much alarm in the Russian and western press, should more properly be understood as the desire of a population to learn what the "national values" and religious "traditions" that they had long preserved were really about. This takes many forms. For some, there is a greater concern to learn more about their traditional faith and to try to observe practices of which they were unaware. For others it has meant a preoccupation with learning more about the history of their people (information which Soviet policies had also denied them).

The governments of the newly independent states have made conscious efforts to reexamine their people's past. In Uzbekistan, the personality and role of Timur, have been thoroughly reevaluated. Soviet-era textbooks used to portray the main Uzbek historical figure as a ruthless and bloodthirsty invader. Nowadays, Timur is called Tamerlane and school children learn about his invaluable efforts to consolidate the first Uzbek state and protect it from enemies. In Kyrgyzstan, the almost forgotten folk epic Manas has become an integral part of history and literature classes for students of all ages. In Kazakhstan, the incorporation of the current Kazakh territories into the Russian Empire has been revisited and re-evaluated. The interpretation of the history of the northern provinces is completely different. While Soviet history viewed these regions as Russia's historical frontier, an empty land into which the Cossaks pushed as Russia became a great state, the Kazaks now describe the process as an invasion by the expansionist Russian empire.

To a certain extent the nation-building strategies of the Central Asian governments have been successful, as increasing numbers of people choose to use their native language and know more about their history and traditions. We should not forget, however, that the Central Asian states are all multinational in composition. In the most homogeneous of them--Uzbekistan and Turkmenistan--the eponymous community makes up slightly over 70 per cent of the population. About a quarter of Tajikistan's citizens are ethnic Uzbek, and about 8 per cent are ethnic Russians. In Kyrgyzstan, the former account for 15 per cent of the population, and the latter--

about 22 per cent. At about 40 per cent, the Kazakhs in Kazakhstan do not even hold a majority, while the Russian minority is as big as 38 per cent of the population.

The governments' efforts to create ethno-national communities, rather than to consolidate multi-national states, frightened and alienated the ethnic minorities. This development gave rise to new challenges to independent statehood. Some of the states have faced severe shortages of highly-educated professionals. In others, the disgruntled minorities have been perceived as a tinderbox for inter-ethnic strife.

Independence left most Russians and other non-Asians with the uneasy feeling of being 'stranded' in an increasingly alien society. In Turkmenistan, Uzbekistan, and Tajikistan the bulk of the Russian population consisted of Moscow's administrators, specialists working in different industries, military personnel, and other highly-trained professionals. In the first couple of years of independence Russian emigration skyrocketed, as most were afraid of Islamic fundamentalism or discrimination on the basis of language and nationality. The outstream led to severe shortages of professionals in such fields as medicine, education, and technical industry. In fact, these shortages became so severe that for a time the Uzbek government attempted to stop emigration, by a combination of blandishments, guarantees, and imposed impediments, such as the 1992 ban on private lease or purchase of shipping containers.

In Kyrgyzstan and Kazakhstan, the majority of the Russians had mostly come in one of five waves of immigration: the so-called 'Stolypin' immigration of 1906-1910 which had attempted to quell Russian land hunger by opening tracts of northern Kazakhstan and what now is northeastern Kyrgyzstan to Russian homesteaders; the forced resettlement of 'kulaks' (better-to-do peasants) during Stalin's program of forced collectivization in 1928-1932; the massive evacuations of industry and peoples during World War II, followed by the forced eviction to Central Asia of entire ethnic groups whom Stalin deemed traitorous, such as the Crimean Tartars, the Chechens, and the Karachai; the intensive cultivation known as the "Virgin Lands Campaign" begun by Khrushchev in 1954 to boost food production; and the more gradual build-up of industry and the state apparatus which occurred in the Brezhnev era. Even though some Slavic groups like the Cossacks (the descendants of colonial border troops) have inhabited parts

of present-day Kazakhstan for more than three centuries, more than half of the Russians in Kazakhstan and Kyrgyzstan had come since World War II.

In both states, the presence of this large Russian population made the evolution toward ethnically-defined statehood impossible. For the most part better educated than the eponymous peoples, and dominating jobs in industry, administration, and the specialized services which Soviet hiring practices made it difficult for Asians to fill, the Russians had seen themselves in the Soviet period to be part of a much larger state in which they were the numerical and cultural superiors. The collapse of the USSR left the non-indigenous populations of both Kyrgyzstan and Kazakhstan suddenly aware that they were cut off from that larger body and that, in the case of the first at least, they were now a distinct minority, linguistically, culturally, and religiously. Because of the indisputable preponderance of the Kyrgyz, as well as because of the republic's precipitous economic descent, Russians in Kyrgyzstan tended to cope with their new predicament as had their co-ethnics in Turkmenistan, Tajikistan, and Uzbekistan, by selling up and moving out.

Over time the Kyrgyz government has largely managed to ebb the flow of local Russians. Alone among the Central Asian countries, Kyrgyzstan allows the Russian language the same legal status as Kyrgyz enjoys; the government is so sensitive to the issue that Russian legislators are given translators so that they can follow the debate in the parliament when---as is increasingly becoming the case---the speakers choose to speak in Kyrgyz.

The situation in Kazakhstan is even more complex than that of Kyrgyzstan. Both because the two populations were so nearly equal in size, and also because most of the Russians were in a few highly concentrated areas quite close to the Russian border, the non-eponymous population was much more inclined than it might have been elsewhere to fight for its political and economic position in the new state. The consequent heterogeneity of the original population had the effect of forcing Kazakhstan initially to opt for developing the political institutions of a secular and multi-ethnic democracy.

Over time though, Kazakhstan's political life has come to increasingly favor the interests of the Kazakhs over those of the Russians, as well as over the other ethnic communities in the nation.

The Russian language enjoys status nearly equal to that of Kazakh, but that "near equality" is not a sufficient guarantee for the country's diminishing but still substantial Russian population. Over half a million ethnic Russians have left Kazakhstan since independence, and the wave of out-migration seems far from over. While the Kazakh government initially tried to halt this movement, they now are at least indirectly encouraging it. The rationale behind this tacit approval is that the emigration is a mechanism of letting out the most disgruntled members of the minorities and thus reducing tensions in the country.

Over the years Kazakhstan's leadership has been confronted with several challenges, stemming from the country's sizable Russian minority. In the first years following independence, the Kazakh government feared that the Russian-dominated northern provinces would try to secede. The fiery rhetoric of the Russian government about defense guarantees for the Russians in the near abroad, and the dubious Russian involvement in the ethnic conflicts in the Transcaucasian states and Moldova incited fears of Russian interference in Kazakh affairs. Even after Russia's interest in the welfare of 'stranded' ethnic Russians had abated, the Kazakh government dreaded a separatist explosion from within, led by some ethnically-based parties and movements of Russians and Cossacks. In the past couple of years, any challenge posed by the Russian minority is more likely to result from the possible failure of the economic reforms in the country, rather than from nationalistic inter-ethnic strife.

While the mightiness of their patron gives the ethnic Russians a greater leverage in the Central Asian societies, the other ethnic minorities within the Central Asian states should not be dismissed as unimportant. Kyrgyzstan's Uzbeks, who live in ethnically consolidated communities near the Kyrgyzstan-Uzbekistan border, are now estimated to account for some 15 per cent of the country's population. Like the Russians, they are irked by policies that strengthen the Kyrgyz grip on power, but unlike the Russians, they do not have enough power to defend their interests successfully. As a result the Uzbeks are potentially a more explosive minority, with unclear loyalties.

Uzbekistan's biggest demographic challenge is its Tajik population. Counted as only about 5 per cent of the population in the 1989 census, Tajiks are in fact said to make up closer to 20 or even 25 per cent of Uzbekistan's population. Fear of upsetting the precarious ethnic balance of its

border region has been a constant factor influencing Uzbekistan's policy toward the conflict in Tajikistan.

Tajikistan itself is also a demographic and cultural pastiche of disparate peoples, whom the Soviets uprooted or dumped in the republic over the decades. As was mentioned earlier, a quarter of Tajikistan's citizens are ethnic Uzbek, who in alliance with some Tajik families used to dominate the republic during Soviet times. Now, nominal power is in the hands of natives of the southwestern region, which has always been a volatile and discontented province with a strong tradition of political Islamic fundamentalism (even though the current Tajik administration is perhaps the most aggressively anti-Islamic of any in Central Asia). The eastern half of the state is made up of "Mountain Badakhshan"-- a lightly-populated, extremely poor, and very rugged autonomous region whose people practice Ismaili Shi'ism and speak a language, which other Tajiks cannot understand. With so many demographic problems at hand it should not come as a surprise that the young Tajik state slipped into a seven-year civil war right after it received its independence.

Since the signing of the Tajik armistice in June 1997, the whole Central Asian region has been quite stable. The current leaders seem to have learned to handle the tasks and risks associated with their countries' ethnic and social diversity. The presidents, however, will not live forever. Their countries will sooner or later face the inevitable challenge of finding a mechanism for elite succession.

Currently, all Central Asian regimes are authoritarian, although the degree of closeness of the society varied from country to country. Turkmenistan and Uzbekistan are evolving to become south Asian states very similar to other states in their region, such as Iran, Pakistan, or (in some regards) Afghanistan. Each is ruled by one man, who essentially controls all political and economic power in his republic, despite the fig-leaves of constitutions, parliaments and other appurtenances of rule-of-law government. Both states remain officially secular, and Uzbekistan in particular has fought back hard against what might have been a push by politicized Islam soon after independence; in both, however, traditional Muslim practices and attitudes are clearly woven into the fabric of everyday life, strengthening the Muslim character of both states.

Tajikistan, essentially in a state of civil war since 1991, has fared so poorly since independence that some observers suggest the state may have been still-born.

Kazakhstan and Kyrgyzstan, each of which were more heterogeneous at independence, both made more energetic commitments to democracy and an open economy in their early years, but each has since pulled sharply back. In both states the presidents have used popular referenda and personal fiat to amend their states' first constitutions, greatly reducing the power of legislatures which had in both states begun to coalesce as genuine counter-balances to presidential power.

The common denominator in the region consists of the lack of meaningful competitive elections and division of powers. In Kazakhstan and Turkmenistan the presidents ran unopposed and garnered more than 95 per cent of the votes. In Uzbekistan, Tajikistan, and Kyrgyzstan, however, where the presidential elections were contested, the opposition candidates gathered less than a quarter of the votes.

To a certain extent, the unimpressive showing of opposition candidates in the presidential elections might be due to outright fraud, intimidation of voters, and discriminatory electoral regulations. More importantly, however, the presidential elections have underscored the absence of viable opposition parties or movements across the region. In Turkmenistan, democratically minded figures were quickly relieved of their governmental posts and forced into exile. In Uzbekistan, Karimov summarily abolished the vice-presidential institution, when its holder Sukrullo Mirsaidov turned out to have the potential to become a political rival. Until recently, Mirsaidov served as a leader of the Democratic Opposition Coordination Council, whose aim was to coordinate the efforts of opposition groups, or what was left of them after most opposition party and movement leaders had fled the country. The council's existence was the last indication of at least a facade of democratic structures in the country, but since Mirsaidov's resignation in March 1998, the council officially ceased to exist.

Uzbekistan's Karimov and Turkmenistan's Niyazov hold such a tight grip on the societies that they could afford to ban religious movements, which might threaten the unity of the state or the stability of the regime. In December 1991 the Turkmen Communist Party changed its name to the Democratic Party of Turkmenistan. A government-sponsored opposition party, the Peasant

Justice Party, was formed in July 1992. All other political parties are banned. Two Ashgabat-based opposition groups, the Democratic Party and Agzybirlik (Unity), have been crushed, although some exiled members are active abroad. In Uzbekistan, the Justice (Adolat) and the Islamic Renaissance Party have been outlawed, their leaders exiled, and their supporters harassed by the government.

Even in Kazakhstan and Kyrgyzstan, the countries with the highest degree of pluralism in the region, the opposition parties and movements hardly offer a viable alternative to the current governments. In Kyrgyzstan, the figures who aspire and might have a chance to succeed Akaev are also either Communist party functionaries, or Kyrgyz nationalists with even less democratic inclinations than the current president. In Kazakhstan, the most prominent opposition movement is Azamat, whose leader Murat Auevov has consistently pledged commitment to democracy. Azamat will probably dominate the about-to-be-created Popular Front, whose professed goal is to unite all opposition parties in the country. Such a development, however, does not necessarily bode well for the opposition movement. While the participation of the bigger Communist party, and the other political groupings might increase Auevov's popularity beyond Almaty, the ideological stand of Azamat as a pro-democracy formation will probably be diluted even further.

The vigor with which any attempt at political opposition has been rooted up in Central Asia has without question preserved a kind of macro-political stability in most of the republics. The current emphasis upon "stability"-which really means preservation of the privileges of the existing elites and of the status quo-makes it all but impossible for new political figures or ideas to enter the national arena save in catastrophic and revolutionary ways. By attempting to eliminate the ups-and-downs of messy democracy, the leaders of Central Asia have made it more likely that political change, when it finally comes, will be convulsive and violent. The lack of predictability regarding the succession is likely to breed instability.

Before they are faced with the problem of succession, however, the Central Asian governments could see the stability of their states endangered by socio-economic problems. There are certain clear advantages to this kind of "stability"-economic reforms have proceeded as the government deems they should; resources have been applied to projects which the leaders wish; foreign investors and donors have been reassured that their money is secure, and the hold of the current

elite is unquestioned. At the same time, however, this stability is increasingly difficult to distinguish from stasis, as fear of change of any sort makes it ever harder for administrators to respond to changing social conditions.

The leaders of the new states have performed very poorly in keeping the social "bargain" which their constituents had come to expect from Soviet-style government. Living standards have slumped tremendously in the region, with each country plunging at least twenty-some seats down the UN-calculated ladder of human-development. Run-away inflation in the early 1990s drained savings accounts. The breaking of inter-republic connections led essentially to economic collapse, which has meant an accumulation of enormous wage and pension arrears, as well as the gradual deterioration of the educational, social welfare, and healthcare systems. By 1997, Central Asians spent more than 60 per cent of their income on food.

At the same time, the members of a small business and bureaucratic elite have amassed great fortunes through corruption, graft, and preferential business conditions. Bribery has become the norm of official conduct, with officials taking money not only for performance of their routine duties, but also, at times, to stop the activities of others; soon after independence there were reports in Kazakhstan, for example, of an official who had accepted \$1 million, in return for trying to stop the Chevron oil deal. Fraud is wide-spread, as businesses or favored individuals take loans on which they default, or convert taxes and other payments to their own use. In an attempted crackdown in Kazakhstan in 1996 it was reported, for example, that millions of dollars of foreign aid which the republic had incurred had simply vanished, with no records of its whereabouts or use. The susceptibility of the organs of justice to bribery has also brought a rise in street crime and violence, as it increasingly becomes possible to have rivals "taken care of," or to buy one's way out of difficulties. Uzbekistan and Turkmenistan, where the organs of state security have remained comparatively stronger, have not seen so vivid a deterioration of public order, but Kazakhstan and Kyrgyzstan have witnessed sharp increases in robberies, rapes, muggings, and murders. Tajikistan, which saw its social fabric picked virtually apart by social war, teeters on the brink of street anarchy, with kidnappings, armed attacks, and murders commonplace.

The spread of corruption and the concentration of wealth has created a vicious circle which is likely to keep the majority of Central Asians in poverty. The failure to create a broad property-owning class has also precluded the generation of a stable tax-paying class, thus dramatically decreasing government revenues. At the same time, unlike the political power distributed by the Soviet system of the past, which was annulled as soon as it was withdrawn, the money which the new system has brought to the tiny layer of the new rich has made them more impervious to the leaders and the system which allowed them to get rich in the first place. In fact, the people and businesses who make enough income to be able to pay taxes also have the political clout to avoid doing so. The result of this financial irresponsibility has been a spiraling crisis of emptying of the public coffers, non-payment of wages and pensions, which have in turn led to public demonstrations and strikes in Kazakhstan, and even in Turkmenistan, while also setting off further regional liquidity crises.

The longer this cycle persists, the greater the danger of social unrest. More importantly, apart from strikes and demonstrations, the disillusioned Central Asians might increasingly turn to Islam for answers. The leaders of the Central Asian states can not too obviously impede the growth of what for many people is one of life's few consolations, the freedom now to practice the religion of their ancestors. While Central Asia is currently far from being a hotpot of political Islam, some, among them even Kazakhstan's former prime minister Akezhan Kazhegeldin, have admonished that the patience of the masses will ultimately be depleted and then the world might witness the development of an Iranian-style Islamic revolution.

One way to make up for the government revenues lost in unpaid taxes would be to attract significant flows of foreign investment. All Central Asian states have unexplored natural resources and a low-cost, well-trained labor force--a combination of factors which has proven to allure foreign investors. Turkmenistan is one of the world's largest natural gas provinces, with about 3-4 trillion cubic meters. It also has about 1-1.5 billion barrels of oil. Kazakhstan, which hopes to develop the newly discovered Kashagan formation in the Caspian Sea, as well as the Tengiz field in its northwestern part, has reserves of some 20 billion barrels of oil and 1-2 trillion cubic meters of natural gas. Uzbekistan has lesser quantities of both fossil fuels, but probably enough oil to become self-sufficient, and natural gas enough to be already a regional net exporter. The two mountainous states, Tajikistan and Kyrgyzstan, have only token deposits of oil, but

much more promising deposits of minerals, especially gold, silver, and uranium. Uzbekistan has enough gold to have accounted for 25 per cent of the total production of the USSR, while Kazakhstan is rich in gold, uranium, coal, copper, aluminum and many other minerals.

Over the past six years a number of problems, such as the inadequate legal guarantees for foreign investors and wide-spread patterns of bureaucratic corruption, have somewhat cooled Western interest. This is especially true in the precious metals sector, which has proved especially difficult in Kazakhstan, although the Canadian firm Cameco has a successful project going in Kyrgyzstan's Kumtor mine, and Newmount mining is working closely with the Uzbek government in the expansion and development of some of their deposits.

However, the potential yield of the region's oil and gas deposits is so great that foreign investors show no signs of tiring of the waiting game in they have been forced to engage. Firms may drop out, but there is no shortage of interested parties willing to take their places.

Central Asia: an interconnected geopolitical region

While economic success certainly depends on the internal economic choices that the Central Asian governments take, there is also a set of intra-regional challenges that have shaped the first steps of the fledgling independent nations. As the Soviets electrified, industrialized, and irrigated the region, their developmental policies were based on the assumption that the artificially created Central Asian republics would never be independent states. Therefore, in 1991 the Central Asian states were confronted with the task of building sovereign entities, while being integrally linked into a common economic and geopolitical space.

Nowhere are the states of the former Soviet Union more closely bound with one another than in Central Asia, not only because of the strong sense of common ancestry and shared cultural and religious heritage, but also simply because of the region's geography. Precise physical boundaries were never drawn and highway and railway systems pay little attention to national borders-- for example, the principle route between the Uzbek cities of Tashkent and Andizhan and that between Tashkent and Samarkand go through Kazakhstan and Tajikistan, respectively. The Kyrgyz also must pass through customs points on the main routes between Bishkek and Osh,

as well as between Bishkek and Talas, crossing briefly into Uzbekistan and Kazakhstan, respectively. Southern Kazakhstan has always informally oriented itself to Uzbekistan's capital Tashkent--less than two hours away--rather than Kazakhstan's capital Almaty, which is a ten-hour drive. The same is true of Osh oblast in Kyrgyzstan, which is part of the Fergana Valley, and separated from the country's capital Bishkek by an arduous 11-hour drive on a road which is impassable over a third of the year. Tajikistan is also closely intertwined with Uzbekistan.

In addition to the road infrastructure, the Central Asian states are bound together by an integrated electrical grid and common water resources. The bulk of the region's water resources are concentrated in Kyrgyzstan. The two main Central Asian rivers--Amu Darya and Syr Darya--originate from the ample snow of the Kyrgyz area of the Pamir mountains. In the upstream the two rivers cascade down the slopes, which makes the construction of hydroelectric plants possible. The Syr Darya (called the Naryn in its Kyrgyz part) currently powers 6 hydroelectric plants in Kyrgyzstan, which have so far generated about 140 billion kilowatt-hours of electricity. Kyrgyzstan, however, has consumed less than a third of this energy, while Uzbekistan and Kazakhstan have gotten 83 and 54 billion kW/h respectively, free of charge.

This allocation is not surprising because Central Asia has an interconnected power grid. Up until 1991, the cost and quantity of power transfers were determined through a central allocation system, devised in Moscow. Since the collapse of the Soviet Union, market rates have been introduced, which has created disequilibria and suboptimization. The shift to market prices has also been a source of contention among the member countries.

One way to renovate and optimize the electricity industry in Central Asia is to redefine the basis of cooperation within the region, but still to keep the integrated power grid. The Central Asian states could turn the burdensome Soviet legacy into an asset by encouraging energy exchanges. All states could contribute financially to the renovation of the industrial base in Kyrgyzstan which is best suited to produce cheap electricity. Kyrgyz politicians have repeatedly appealed to their neighbors to help finish the construction of the two Kambaratinskiye power plants, started during the Soviet era. In return Kyrgyzstan can export electricity without tariffs and taxes to its neighbors. Such an arrangement would be beneficial for everyone, because the oil-producing states would not "waste" their potential fuel exports to power electricity generation plants, and

Kyrgyzstan will have a market for its surplus electric power. In addition to financial support for its electrical power plants, Kyrgyzstan has claimed that its neighbors should assume part of the burden of maintaining fresh water reservoirs. The rationale behind the Kyrgyz demands is based on the fact that Uzbekistan and Kazakhstan use the water for their agriculture, while the Kyrgyz have sacrificed arable lands, and lose about \$60 million a year from ungenerated electricity.

Because of the region's interconnectedness, the Central Asian leaders have also been concerned about security threats to stability such as drugs and the spread of political Islam. The governments of Kazakhstan and Kyrgyzstan are particularly worried about the possibility of their countries' becoming part of the international opium route, which originates in Afghanistan, and the effects that such a development might have on their societies.

The civil war in Tajikistan, whose resolution has been further complicated by the civil war in Afghanistan, has served as a strong reminder to the Central Asian leaders of the destructive potential of a politicized Islamic movement, when combined with a disgruntled and divided former Communist party elite. Fear of a similar scenario certainly helps explain why Uzbekistan's president backed away from democratic reforms in 1992 and banned all religious-based parties. None of these states want to disavow their Islamic heritage, but they do not want their futures determined by their pasts .

The strong sense of common regional identity as well as the clear awareness of the regions economic and security interdependence has fostered a shared commitment among the Central Asian leaders to regional cooperation. Formal coordination of efforts dates back to 1990, when the five presidents set up a consultative forum, that was largely charged with common management issues, including water usage, hydroelectric power, trade issues and shared ecological problems. In 1994, the original inter-republican agreement was given inter-state status.

Also in 1994, Kyrgyzstan, Kazakhstan, and Uzbekistan formed the Central Asian Union. The organization was envisioned as a defense, political, and economic formation, based on the structure of the European Union. The move was reportedly spurred by the inefficiency of the CIS as a venue for integration. The new organization would have an interstate council of heads of state, a council on foreign affairs and defense, and a Central Asian Bank for Cooperation and

Development. The Central Asian Union members also pledged to set up a common market by the year 2000. The process towards the establishment of such a union would involve the gradual abolishment of tariffs, quotas, licenses and all other trade barriers.

Regional cooperation, however, has turned out to be a difficult undertaking. The Central Asian Union has held more than 15 meetings of heads of states or prime ministers on which more than 20 agreements have been signed (both interstate and intergovernmental). The issues discussed have included the settlement of the conflicts in Tajikistan and Afghanistan, economic cooperation, water resource management, but much in the CIS style, the adopted agreements have not yielded noticeable results. Also like the CIS, the CAU has not been very successful as an instrument through which the members could resolve differences and disputes. One sphere in which virtually no progress has been made towards a mutually-beneficial solution is water resource management. The Central Asian presidents have signed many agreements in which they pledge to resolve the thorny issue. Kyrgyzstan, however, continues to export some 80 per cent of its water resources to Uzbekistan, Tajikistan, and Kazakhstan free of charge. The presidents of the latter group of countries, however, have staunchly defended the notions that all water resources in the region are common property. Moreover, they have insisted that Kyrgyzstan, even though it does not border the Aral Sea, should join the initiative to save this endangered body of water and contribute up to 1 per cent of its GDP to the problem. In turn, Kyrgyzstan has threatened to cut off electricity supplies or, in one instance, to open its dams and flood thousands of acres of arable land, belonging to its defiant neighbors.

Another instance in which the CAU failed to perform its role as a dispute-solving body has concerned late payments. In 1996 even a Presidential summit was unable to relieve relations between Kazakhstan, Uzbekistan and Kyrgyzstan that had become strained over late payments and non-delivery of gas and electricity. Though inter-state debts were subsequently restructured, and plans even made for coordinated foreign economic investment and future swaps between Kazakhstan and Uzbekistan's electricity and gas providers, problems continue to reoccur.

More than once Uzbekistan has cut off gas supplies to Kyrgyzstan and Kazakhstan for disputes over prices or payment. Kazakhstan and Kyrgyzstan---which probably have the best bilateral relations of any Central Asian countries---have also periodically spared over these questions as

well. In 1996 Kazakhstan and Kyrgyzstan agreed to exchange coal for water, but when Kazakhstan failed to deliver the coal on time Kyrgyzstani officials threatened to open the dams to flood their neighbors fields.

Turkmenistan is the one state, which has held itself apart, and expressed no formal interest in participating in the Central Asian Union (Tajikistan aspires to full membership, but the other Central Asian states would like to postpone acceptance until the political and economic situation in Tajikistan is stabilized). Part of the answer for this isolationist stance seems to be found in the personal rivalries that compound more traditional forms of state competition. President Niyazov probably anticipated that his nation would rapidly ascend to the short list of wealthy, underpopulated energy-rich states. He seems to have believed that the Turkmen future would be much rosier than that of the other Central Asian states, so why enter unions that would simply drain away Turkmenistan's wealth to more needy neighbors.

For their parts, both Presidents Nazarbaev and Karimov each saw themselves as the region's natural leader, and Nazarbaev in particular held out hopes for a larger CIS and possibly even a global role. Karimov viewed Uzbekistan as the heart of Central Asia, while Nazarbaev saw Kazakhstan as the bridge between Europe and Asia. At the same time, both saw the politics and personality cult developing around Turkmenbashi---"head Turkmen" as Niyazov prefers to be called,-- as silly and damaging to the image that each was trying to project of himself, his country, and the region. Both men were also smart enough to realize that their states were still too weak and too interdependent to allow their personal and national rivalries to undermine the overarching need for regional cooperation.

President Niyazov is only lately coming to the same conclusion, and has begun to take an increasingly more active role in regional summits. He has become more flexible on questions of importance to other states, such as backing better coordination of efforts to combat narcotics trade, increasing pressure to try to end the Afghanistan conflict, speeding up plans for new transport corridors (including alternative pipeline routings) and backing national sectoral development of the Caspian.

The Central Asian 'Neighborhood'

In order to consolidate their nations' independence, the Central Asian have had to cope not only with internal ethnic and socio-economic problems and issues of regional interdependence and cooperation, but also with the daunting tasks of foreign policy development and implementation. Even though, the Central Asian presidents and their teams had significant government experience, when they found themselves at the helm of independent states, it should not be assumed, that the decision-makers approached their initial choices with full knowledge of what they were about. None of the present leaders of the region had experience outside the communist world before 1990. Nor did these men have sophisticated assistants or associates. Soviet staffing and promotion practices sharply limited the number of Central Asians who might serve in exactly those fields which the new states required-diplomacy, foreign languages, and advanced technologies-thus making it possible, for example, for Kyrgyzstan to have as its first foreign minister a man who had never been out of the country.

Ironically, the former Moscow appointees have confronted the challenge of redefining their states' relationship with the former metropolis, represented after the collapse of the Soviet Union by Russia. While the Central Asian leaders might want to distance their countries from Russia as much as possible in order to reaffirm their independence, none could afford to sever ties decisively. The main reasons behind this continued dependence on Russia have been that it provides a regional security umbrella, as well as still the only transit route for the region's exports to world markets.

Russia has been the dominant player in Central Asia for nearly a century and a half, and although its presence is waning, it is far from ready to disappear from the scene completely. The first five years of Central Asian independence might be viewed as the Russians attempting to resolve the oxymoron of retaining the benefits of the economic and military control which they enjoyed in the Soviet period without having also to pay the social and political costs which had, in large part, driven the Soviet Union to collapse. The net effect of these efforts has been a steady ebb of Russian influence, especially in those states most remote from Russia.

The pace of this ebbing has not been uniform. Russian insistence on military control remains strong, despite the enormous problems manifest in the Russian army. After unsuccessful experiments in relying, first, on a Central Asian joint intervention force under CIS aegis, then on

a beefed-up Uzbek army, and finally on Russian 'volunteers,' to control events in Tajikistan, Russia finally had to move to direct army intervention, both to quell the civil war and to patrol the border with Afghanistan. Possibly unable and certainly unwilling to pay the cost of building a new defense perimeter along its new borders (which are very nearly as long as were those of the entire USSR), and unhappy with the slow growth of military capabilities in the new states (while, paradoxically, also reluctant to permit the development of stronger militaries on its southern flank) Russia has re-assumed direct responsibility for patrolling the former USSR borders everywhere save in Turkmenistan; borders there are patrolled jointly, on the basis of a bi-lateral agreement which is due to expire at the end of 1997. After extended negotiations, Russia also regained ownership of the nearly 1400 nuclear warheads orphaned in Kazakhstan, and has negotiated a long-term lease of space-launch and missile-launch facilities at Baikonur, Kazakhstan, which essentially makes the facility and its support town a part of Russia.

While Russian military presence has clearly inhibited whatever growth of indigenous Central Asian military capability which might have been possible, it has not otherwise been particularly effective. The Central Asians are obviously aware of the army's failures in Chechnya, and of continuing scandals in the Russian high command and ranks. More pointedly, the Russian army has proven of unclear utility in Tajikistan, unable to seal the border, and although it appeared to be more effective as a power broker in resolving the country's civil war, the timing of this intervention may still have doomed the peace accords which were finally reached in June 1997.

Russia began pushing for political settlement of the Tajik civil war because of the social and political costs it was incurring. The war was unpopular with Russians at home, making it difficult to conscript and dispatch youth to what people increasingly regarded as a distant land; perhaps more important, the costs of keeping Tajikistan's economy afloat, to say nothing of repairing the damage done to the country by the civil war, was much more than Russia could bear.

Fear of the destabilization that a Taliban victory in Afghanistan might bring to their own states has been a powerful motivating factor for Uzbekistan, Tajikistan, Kazakhstan and Turkmenistan in their dealings with Russia. Tajikistan's rulers are frightened of a Taliban victory in the Afghan territory that borders on their state, because of the refugee flow of ethnic Tajiks that it might

trigger, including armed resistance fighters. For its part Uzbekistan's government fears the flow of ethnic Uzbek refugees from both Tajikistan and Afghanistan, while the Kazakh and Kyrgyz leaders are more concerned with the effects of illegal drugs and arms flowing from Afghanistan through Tajikistan and on into their countries.

Only Turkmenistan, which shares a border with Taliban-controlled territory in Afghanistan, has been a formally disinterested party throughout the recent stages of Afghanistan's civil war. In order for its dreams of a pipeline across Afghanistan to be realized Ashgabat must seek accommodation with the Talibs who dominate in Kandahar, whether or not they are able to maintain control of the nation's capital of Kabul. As Turkmenistan has formally declared itself to be a "neutral" nation, its troops don't participate in CIS military operations on the Tajik-Afghan border alongside those from the other Central Asian states, making the Turkmen position on Afghanistan somewhat easier to sustain.

In addition to security considerations, the Central Asians have to maintain good relations with Russia for economic reasons. As long as they want to develop their natural resources and boost their foreign trade, they will depend on the courtesy of the Russian government, since Russia currently controls the transit of Central Asian exports to the world markets.

For the fossil-fuel-rich Kazakhstan and Turkmenistan, Russia holds two important levers--its position on the status of the Caspian Sea and the Central Asians' absolute dependence on the Russian pipeline network. Kazakhstan and Turkmenistan have had to offer Russia's major oil and gas firms LUKoil, Rosneft and Gazprom equity ownership stakes in some key deposits and refineries in order to mollify the objections of the Russian government to the sectoral division of the Caspian Sea. However, the unsettled nature of this legal question continues to further complicate the oil and gas transportation issue, in which Russia still largely manages to dictate conditions.

The other, even stronger, Russian lever has been the current lack of alternatives to the transportation of Central Asian oil and gas through the Russian network. Since during the Soviet period Kazakhstan and Turkmenistan were provided with Siberian oil and gas for their internal consumption, each country has only a few pipelines all of which connect the two newly

independent states with Russia. In Kazakhstan the main outward routes are the Atyrau-Samara pipeline, the Transneft pipeline, and an almost complete Tengiz-Novorossiisk pipeline, all of which take Kazakh oil to Russia. Existing Turkmen gas pipelines also take the country's resources to Russia via Kazakhstan and Uzbekistan.

Moscow in effect holds the key to Turkmen and Kazakh exports, which makes the two fledgling states heavily dependent on Russia. Russia has imposed quotas for oil and gas shipments through its territory, which have forced Turkmenistan to "sell" most of its surplus to insolvent partners such as Ukraine, Georgia, and Armenia. Moscow also has denied the Turkmen access to the more lucrative markets in Europe. Similarly, Chevron's development of the Tengiz oil field in Kazakhstan has been seriously hampered by the impossibility to ship "early oil" through the existing pipeline system, which forced the company to ship oil by freighter across the Caspian or by rail through China. Both approaches are cumbersome and costly, leaving no real profit margin for Chevron or for the Kazakhs.

Even if the Central Asian states had unlimited access to Russia's pipeline network, they would still need to construct alternative routes. Firstly, the existing pipeline system could not accommodate the steadfast increase in the volume of fuel, which is expected to flow out of Kazakhstan and Turkmenistan. Secondly, Kazakhstan's main fields (Tengiz and Karachaganak) are situated in the far west, while its main industries, and most of its population, are in the northeast and east. There is an acute need to construct pipelines, which could take Kazakh oil to Kazakh consumers. Until then in spite of its enormous petroleum wealth, Kazakhstan will remain a net importer of oil. The current necessity to purchase oil and petroleum products from Russia has been a major factor in Kazakhstan's burgeoning national debt.

Immediately after gaining their independence the Central Asian states encountered difficulties in exporting not only oil and gas, but also other goods as well. The highways were never especially good in Central Asia, because of Soviet preference to move freight by rail. The bigger problem, however, came from the fact that the transportation system was underdeveloped and not connected to the world's main roads, or to the main regional waterways, but only to European Russia.

The difficulties are only slightly less complex as the Central Asians contemplate transport challenges more generally. At the time of independence the existing infrastructure had been built to bind Central Asia to European Russia. Even something as comparatively simple to modify as the international telephone service, was routed through Russia's access code until July 1997. For the first few years of independence air travel remained hubbed through Russia, and the most frequent service between two Central Asian cities was oftentimes through Russia. Now these nations have the right to set their own routes, both internally and between neighboring capitals. But finances are currently the limiting factor, making flights within and between Central Asian states more infrequent than they were before independence. By contrast, though, it is now possible to by-pass Moscow on virtually all international routes that go beyond the CIS.

Bilateral ties to Russia are still the most important foreign relationships that each of these states maintains. Each of the Central Asian states joined the CIS, the Commonwealth of Independent States, in December 1991, at the time of the Alma Ata meeting of Soviet republic presidents. Two of the Central Asian states, Kazakhstan and Kyrgyzstan have been willing to join the CIS's further economic and military unions. These two states have also signed a four state "deep integration" agreement with Russia and Belarus. Uzbekistan signed the CIS military union agreement, and Tajikistan is part of both the military and economic unions. Consistent with its stated policy of formal neutrality, Turkmenistan is a member of neither the economic nor military union.

While it is still strong, even Russian economic influence has waned in Central Asia. Russia remains a primary trading partner for all the Central Asian states, as well as their most important customer for most commodities, but as time progresses the proliferation of other suppliers and customers, as well as Russia's continued economic difficulties, mean that the Central Asia states, and especially those like Uzbekistan which are not contiguous with Russia, are steadily lessening their economic dependence on the northern giant.

The principal highway and rail links to Europe from Central Asia still go through Russia, but improved transport links from Europe to Asia through Central Asia and China are of great interest to all those in the area. Improvements to both the road and rail links come under the TRANSECA project, which has strong support from the United Nations, the EBRD, the Asian

Development Bank, and from various donor nations interested in Central Asia. Although steady progress is under way, the full "opening" of this region to foreign trade is still decades away. As it develops though, Central Asia's links with Russia will be diminished, and their ties with Azerbaijan, Georgia and Ukraine (a new alternative southern route to Europe) will be increased.

The Central Asian states also negotiated port rights at the rail head in Lianyungang, China, but the cost of moving freight across China was thirty percent higher than through Russia to its Pacific ports. Unfortunately, there are few figures on how much "through freight" was shipped across China from Central Asia, but anecdotal evidence suggests that Central Asian shippers preferred the Russian route, given their greater familiarity and lingering contacts with the old Soviet ports. Over time the new rail link through China across Central Asia into Iran and on to Turkey and Europe is sure to become more popular, as it will cut several days off the shipping schedule.

Relatively good highway connections exist from Europe to Central Asia via Turkey and Iran, but highway connections through Central Asia into China are still extremely difficult. Although being constantly being upgraded, highway connections will continue to be subject to the harsh climate and the mountainous terrain of the Kyrgyz and Chinese border regions, which certainly will make it hard to move freight in winter, at the very least. Key to the transport link is the upgrading of the Karakorum Highway which extends from Urumchi to Pakistan. In March 1995 a quadripartite trade agreement on the transport of freight was signed by Kazakhstan, Kyrgyzstan, Pakistan and China, binding the signatories to a uniform customs policy along the highway. A three-year highway improvement project was launched with a ceremonial four nation truck convoy in October 1996. When the upgrade project is completed, the highway is supposed to be fit for year-round travel, replacing the May-October season of the past.

The development of the road network has serious implications for international trade through the region, because for the moment the Karakorum highway is still the only feasible way to move freight from Central Asia to the ports of the Indian Ocean. The alternative routing goes through from Termez (Uzbekistan) or Kushka (Turkmenistan) through Afghanistan and on into Pakistan, and these highways which have been virtually destroyed by nearly twenty years of fighting, and will not be rebuilt until peace prevails.

Partnership with China in transport is important but the costs of surmounting these difficulties (and state subsidies necessary to continue to surmount them) mean that multiple routes---- including those through Russia-- are going to continue to make economic (and not just political sense) far into the future. China is potentially a trading partner of enormous importance for the Central Asian states, since it is every bit as capable as is Russia of distorting the development of the Central Asian economies.

Partnership with Iran in transit of oil would also be beneficial to the Central Asians. The Iranians have initiated an oil swap program, which permits Kazakhstan to ship oil to points on the south Caspian, and then sell oil of Iranian origin from points on the Persian gulf. The Iranian government has also committed to foot 80 per cent of the bill for the construction of a pipeline that will connect a Turkmen gas deposit in Korpedzhe to the Iranian pipeline network.

Strong US opposition to such endeavors has significantly slowed the implementation of proposed plans. It also accounts for the relatively cool attitude of the Uzbek government towards its southern neighbor. Since Uzbekistan's economic success does not depend so much on oil exports, President Karimov seems to have decided to gain a comparative advantage in his country's relations with the US at the expense of Uzbek-Iranian cooperation. All other Central Asian states, however, do maintain good ties with Iran, because they seem to be based on genuine cooperation. While there is a certain amount of proselytizing, the Iranians have recognized that their revolutionary type of Shiia Islam is likely to be of little interest to Central Asia's almost exclusively Sunni Muslim populations.

The US would much rather see the Central Asians in close cooperation with Turkey. Turks and Central Asians view themselves as distant ethnic kin. Only the Tajiks are of Persian stock, while all other Central Asians speak Turkic languages as their native tongues. Although Turkey has never ruled Central Asia, Turkey sees itself as the leading secular Muslim state in the region, as well as the most important Turkic one, and so saw the granting of independence to the Turkic states of the Soviet Union as serving Turkey's goal of becoming the major regional actor.

Turkish entrepreneurs are very active in Azerbaijan and in Central Asia, probably the most active of any foreign group, measured by number of investments and jobs created, rather than by the

cash value of the investments. Turkey has become a major jumping-off point for international air travel to the four Turkic Central Asian states, and Turkish businessmen often play the role of intermediaries for international businesses seeking to set up operations in the region. Thousands of students from Central Asia are studying in Turkey, many of them on Turkish government scholarships.

Turkey is, however, too far to have a major impact on Central Asian affairs. In addition, it does not have the economic might or the political leverage to challenge Russia's role in the region. In fact, the recent signing of a long-term contract on cooperation in the oil sphere between the Russian and the Turkish governments, seems to indicate that Russia might rank higher than the Central Asian states on Turkey's foreign priority list.

Developing Relations with the 'Far Abroad'

It would certainly be a mistake to assume that Central Asia's foreign policy has been exclusively focused on their neighboring states. In fact, each of the Central Asian leaders has been anxious to secure close ties with the broader international community--mainly the US, Western Europe and Japan. This foreign policy has been driven by the desire to consolidate independence. While each of the Central Asian governments recognizes the need to remain on good terms with Russia, and leaders in Kyrgyzstan and Tajikistan are interested in pursuing fairly close alliances with Moscow, none of these men want their newly independent states to appear to be Russian satrapies.

One way for the Central Asian states to strengthen their independence is to find an alternative source of security guarantees, so that in the event of both intra-regional and external conflicts, there might be someone else to turn to besides the old master. The search for a replacement of the Russian security umbrella has brought all Central Asian states into NATO's Partnership For Peace Program. In 1996 the US began supervising the formation of a "Central Asian battalion" of peace-keepers (made up of Kazakhstani, Kyrgyzstani and Uzbekistani forces, with Russian observers) which has received some training in the US, followed by the participation of the 82nd Airborne in exercises in Uzbekistan's Ferghana Valley. Maybe in the hopes of getting even more assistance from the US to modernize their armed forces and bolster regional security, Uzbekistan

explicitly supported NATO enlargement plans, while Kazakhstan wished Russia and NATO could work out a compromise.

The civil wars in Tajikistan and Afghanistan, however, have demonstrated that security solutions or guarantees are highly unlikely to come from outside the region. Between 1990 and 1997, the international community showed little interest in facilitating a resolution to the Tajik conflict. Despite the numerous calls for mediation and concerted action on the part of the concerned Central Asian leaders, no influential outside players got involved in the search for solutions. In fact, the peace agreement would hardly have been reached if it was not for Russia's desire to take the burden of buttressing the Tajik state of its back. By contrast, the Minsk group formed under the auspices of the OSCE has been active in mediating the Azerbaijani-Armenian dispute over the Nagorno-Karabakh region. At the OSCE summit in Lisbon in December 1996

The international community has proven equally unprepared to assume an active role in ending the raging civil war in Afghanistan. The Central Asian leaders pleas for a multilateral intervention in Afghanistan, similar to the one in Bosnia have been left unanswered. Despite the economic possibilities that peace in Afghanistan will open for Western oil companies, and despite Western outcry to human rights violations, the international community has shied away from direct attempts to end the fighting. Such inactiveness has given the Central Asian states a clear signal that they can expect little assistance from the international community if political Islam or refugee flows spill over Afghanistan's borders into the region.

When it comes to investing in the Central Asian economies, however, the outside players have been more active. The lack of other sources of funding forced the Central Asian leaders to court foreign investors, which they did with enthusiasm and great energy. Some have been more successful than others, but all have seen some in-flow of funds, while investment in better-favored republics has been huge. In addition to providing their capital-strapped economies with funds, foreign investment reduces economic dependency on Russia.

Foreign investors, which do not have such strong interests in Central Asia as its neighboring states, have predictably been most active in the oil and gas industries, due to the high profits. The Caspian Pipeline Consortium, consisting of Chevron (which has now been joined by Mobil), the

Kazakh, Russian and Omani governments, Shell (as part of the Rosneft share), British Gas, AGIP, and Oryx, owns transport rights to Tengiz, the largest Kazakh oil field. The French company Elf is also vying for deposits in Kazakhstan. The Argentine Bridas, participates in a joint venture with the Turkmen Fuel and Energy Minister, which is authorized to develop the gas deposit in Yashlar. Other companies that have expressed interest in investing in Turkmenistan's oil and gas industry include Unocal, Western Atlas Company and Delta Oil Company (US), Petronage Charigali (Malaysia), and Itochu (Japan), among others. Major US foreign investment in the region has also primarily been in the areas of fossil-fuels.

Foreign companies, however, have invested in other spheres of transportation as well. Japanese authorities are committing themselves to a greater foreign aid role in Kazakhstan's transportation sector. In the spring of 1996, the Asian Development Bank and a private Japanese fund pledged to provide \$198 of the \$238 mln, needed to reconstruct the Bishkek-Osh highway in Kyrgyzstan.

The telecommunications industry has also attracted a significant number of foreign partners. The main companies, which now operate in Uzbekistan are DAEWOO Telecom, Siemens, Alcatel, Northern Telecom, Motorola, and NEC. Together they have brought more than \$380 mln to the country. Turkish, German, and Iranian companies are involved in the Turkmen telecom sector. Deutchetelecom, PLD Inc., Telstra, Indosat, Alcatel, and DAEWOO Telecom have moved into Kazakhstan. Even war-torn Tajikistan has attracted some foreign investors, namely the New Eastern Mobile Cellular Networks, Hughes Network Systems, and Jahon Page.

Exim Bank and OPIC loans are available for US firms that make investments in the region, and the Central Asian American Enterprise Fund has been the most active of any of the US enterprise funds working in Russia or the other newly independent states. In addition, the US has provided technical assistance to these states that has been designed to develop the legal infrastructure necessary to secure and sustain foreign investment.

Unfortunately, the legal guarantees for foreign investment are still largely inadequate. Kazakhstan and Kyrgyzstan, which had begun marketing their major natural resources even before independence, have witnessed a number of brutal political battles about who precisely owns the resources, who may negotiate for their sale and on what terms, and where the revenues

generated should go. In Kazakhstan this process has necessitated expensive and embarrassing flip-flops and renegotiations, which among other things has left the largest gold-field in the country (Vasil'kovskoye) undeveloped and still unsold.

At the same time though, the states have had quick lessons in the power of international business law. Although large corporations such as Chevron and Cameco were willing to renegotiate already-done deals, apparently to make allowances for the economic and political naïveté shown in the first agreements made by their Central Asian partners, these companies also made unambiguously clear what would happen to the new states if arbitrary, autocratic business practices were to prevail there. Even Uzbekistan, which has generally been much more professional than its neighbors in negotiating deals, still found its international standing dropped quickly when it attempted to deal with internal liquidity problems by sharply limiting convertibility of local currency profits by foreign firms.

The need to rely on foreign investment has also required that the new states follow the needs and interests of foreign capital, which in general favors higher and more rapid return; this has tended to discourage investment in industry, and particularly in the manufacture of the consumer goods for which the region so hungered, since these needs can be better and more cheaply satisfied by imports. Most foreign investment in Central Asia has been directed to resource extraction, preliminary processing, and transport. Although all of the region's presidents seem to be aware of the ensuing danger, that their states will become trapped in the classic Third World cycle of selling off non-renewable resources while failing to invest in productive capacity to sustain the economy once the resources are gone, none of the states is fully able to break the cycle.

The successful development of light industry in Central Asia requires attracting small and medium size investors, and this is exactly what Kazakhstan, Kyrgyzstan and Uzbekistan are all aggressively trying to do. However, the absence of secure legal guarantees, the difficulty in currency conversion (a particular problem in Uzbekistan), and the difficulty of moving goods into, out of, and through the region still make attracting such investors extremely difficult.

Conclusion

Until a strong legal infrastructure emerges in each Central Asian state, only the biggest projects with participating foreign investors have a chance to move forward. The Central Asian countries will hardly reap the benefits of their significant natural resources in the near future. Poverty is likely to continue to increase, forcing people to spend even larger portions of their income on the basics of food and shelter, and encouraging some of them to turn to crime. The collapse of education means that the children of the poor will not have the Russian language with which their fathers communicated with other Soviets (including those who live in the neighboring Central Asian republics), and will not have the English or Chinese with which their more favored compatriots will be doing business abroad. Instead they will have only their native language; in the case of the rural poor, who still constitute the majority of Central Asia's population, many of these will have difficulty gaining literacy even in their native language. Books will be expensive and, in the native language at least, hard to get, at least in the technical and social sciences, or in the humanities; the only native language literature which is likely to be easily available will probably be religious tracts.

The continued stagnation of local economies, the lack of public resources which might be applied to regional development schemes, and the increasing dependence for state revenue upon concession of resource extraction rights to foreign investors all seem destined to push the Central Asian states increasingly toward the familiar Third World model of rural unemployment and poverty, urban overcrowding, and extreme imbalances between rich and poor.

This pattern of social transformation in Central Asia is certain to increase political tensions. Even though the Central Asian people have proven to be passive and resigned, there is no way to predict when a straw will break the camel's back. The biggest concerns of the Central Asian leaders will be socio-economical. The region's governments will have to find the answers to mid-term crises of sustainability within their own societies--a challenge which they have not proved they could handle.