

**DEVELOPMENT AND GEO-STRATEGIC SIGNIFICANCE  
OF ALTAI REGION IN KAZAKHSTAN, 1992-2008**

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**2010**

**DEDICATED  
TO  
MY MOTHER  
&  
BROTHER**

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## DECLARATION

I declare that the dissertation entitled "DEVELOPMENT AND GEO-STRATEGIC SIGNIFICANCE OF ALTAI REGION IN KAZAKHSTAN,1992-2008" submitted by me for the award of the degree of **Master of Philosophy** of Jawaharlal Nehru University is my own work. The dissertation has not been submitted for any other degree to this university or any other university.

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## CERTIFICATE

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## ABBREVIATION

ADB	:	Asian Development Bank
CAC	:	Central Asian Council
CNPC	:	China National Petroleum Corporation
CIS	:	Commonwealth of Independence States
CRCAS	:	Centre for Russian and Central Asian Studies
CIS	:	Commonwealth of Independent States
CST	:	Collective Security Treaty
ECO	:	Economic Cooperation Organization
EEC	:	Eurasian Economic community
EU	:	European Union
GDP	:	Gross Domestic Product
SCO	:	Shanghai Cooperation Organisation
NATO	:	North Atlantic Treaty Organisation
CEE	:	Central and East European
FDI	:	Foreign Direct Investment
IBRD	:	International Bank for Reconstruction and Development
UNESCO	:	United Nations Educational Scientific and Cultural Organisation
WTO	:	World Trade Organisation

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## PREFACE

The traditional notion of region underwent a sharp change in recent years. Unlike the traditional notion, cannot be defined in terms of physical boundary, it also denotes history, culture, language as well as borderless boundaries where two culture can intermingle with each other. This new process of regionalization has provided impetus to development of the notion of “soft boundaries”. In recent year such parlance becoming the buzzword to define interrelationship among states sharing common borders. The Altai part of Eurasian region is one such region where culture, language and physical boundaries interact with each other to define identity. In this process Altai part of Kazakhstan is emerging as a strand in connecting these borderlands.

It is not only the strategic location that defines the importance of Altai region, this part of the world is also rich in mineral resources like oil and gas resources. It is not only due to strategic location external powers are also interested over this region, the rich mineral resources have also attracted external as well as regional powers .

Despite its strategic importance in a broader form this region is in the periphery of Kazakhstan. In Kazakhstan this region is known as Altai Kazakhstan. Despite rich in natural resources this region is to a great extent underdeveloped. In the post -Soviet phase, Kazakh government is interested in utilizing the natural resources. So partly the desire to exploit the natural resources as well as to effectively implement its multi-vectoral foreign policy, Kazakh government in recent years is giving due importance to this region.- The multi-ethnic character of Altai Krai region is also motivating Kazakh government to follow a balanced developmental policy in this part of the world. Keeping above objectives in mind the present study try to conform following hypotheses:

- Kazakhstan’s Altai is gaining more prominence in the geopolitical calculus of Kazakh foreign policy.
- Regional economic programmes initiated by Kazakhstan government aim at

reducing inter-regional disparities.

- Eastern part of Kazakhstan is becoming the focal point for transiting energy resources in the Eurasia.

The first chapter offers a critical examination of theoretical aspects of geopolitics and geo-strategy. It sheds light on development of geopolitical thinking and its application to the development of Eurasian region. Regional tendencies in the Central Asian region and role of different organizations in shaping the destiny of Central Asia will be focused

The second chapter offers a broader study on nature of regional economic development in Kazakhstan. Natures of regional disparities and governmental programmes and policies to address the disparities have also been dealt with.

The third chapter tries light on nature of social relations in the Eastern part of Kazakhstan and how the present government is using ethnic identity as a means to forge relationship with neighbouring countries.

Fourth chapter offers a comprehensive study nature of hydrocarbon politics in Kazakhstan. The same has also dealt with pipeline routes passing through eastern Kazakhstan.

Final chapter summarises the findings.



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**CHAPTER-I**  
**GEO-STRATEGIC SIGNIFICANCE OF GREATER ALTAI REGION**

**GEO-STRATEGIC SIGNIFICANCE OF GREATER ALTAI REGION**

Ever since the countries started interacting politically some five hundred years ago Eurasia has been the center of the world power. The last decade of the twentieth century has witnessed a balance shift in world affairs. The collapse of the USSR was the final step in the rapid ascendancy of western hemisphere power. Eurasia however retains its vital economic growth and rising political influence in the world affairs. Eurasia which has 75% of world population with  $\frac{3}{4}$  energy resources which act as the Chess Board on which the struggle for supremacy continued to be played not one or two but many powers to be involved. The powers like Kazakhstan, Russia, Mongolia and China are trying to influence beyond their boundary. The present study aims at looking at the issues of geopolitics and Geo strategy in a broader framework. Geo strategy is the geographic direction of a state's foreign soft powers. More precisely, Geo-strategy describes where a state concentrates its efforts by projecting military power and directing diplomatic activity to achieve its desired goal vi-a-vies it's rival. In Eurasian region also one witnesses such an attempt by regional powers like China, Russia and Kazakhstan. In this regard the Altai region which criss-crosses three above mentioned states are increasingly emerging as a "pivot" in which the game of Geo-strategy is being played. This region gained importance chiefly in the aftermath of the disintegration of the Soviet Union. Coupled with the disintegration of the Soviet Union the new found energy wealth also motivated external players to have a say in this region. Since Altai region shares a common border with all the three states as well as with Mongolia one witness flurry of activity in this part of the world. The "Great Game" of 19th century between the British Empire and Russia Empire, has changed to the "New Great Game" on the threshold of the 21st Century, though this Concept was applied to the central Asian territory but Altai due to its Geo -Strategic position might provide a platform of Chess Board to Russia China and Kazakhstan are to play and act on it (Brzezinsky 1997)

**A Theoretical Framework of Geo-Strategy**

“Geo-Strategy, a sub field of geopolitics, is a type of foreign policy guided

principally by geographical factors as they inform, constrain, or affect political and military planning. As with all strategies, Geo strategy is concerned with matching means to ends. Geography is the mother of strategy setting the conditions for attack and defense on land, on sea, and even in the air” (Gray and Sloan 1919).

“Geopolitical reflects the combination of geographic and political factors determining the condition of a state or region, and emphasizing the impact of geography on politics; strategic refers to the comprehensive and planned application of measures to achieve a central goal or to vital assets of military significance; and Geo strategic merges strategic consideration with geopolitical ones.”(Brzezinski1997:49). Categorizing Eurasia as the world’s axial super continents, he thinks that power that dominated Eurasia would exercise decisive influence over two of the world’s three most economically productive regions, Western Europe and East Asia (Brzezinski1997:50).

It is recognized that the term 'Geo-strategy' is more often used, in current writing, in a global context, denoting the consideration of global land-sea distribution, distances, and accessibility among other geographical factors in strategic planning and action. Here the definition of Geo-strategy is used in a more limited regional frame wherein the sum of geographic factors interact to influence or to give advantage to one adversary, or intervene to modify strategic planning as well as political and military venture (Jock 2010).

It has also been observed that geopolitics looks at the casual relationship that exist between geography, politics and power and also the interactions arising from combination of them with each other. According to this definition, geopolitics is a scientific discipline and has a basic science nature (Hafeznia2006:37–39).

Halford Mackinder, the founding father of Eurasian geopolitics, way back in1904, gave a beautiful exposition to this region through his framework of Eurasia. He characterized this region as eternal geographical pivot of history. In this book, 15 years later, he coined the terms "Heartland" to describe that space and "World Island" to refer to the joint land mass of Europe, Asia, and Africa. Mackinder argued that

geography conditions political and strategic outcomes without rigidly determining them, and that geography, demography, and economic success are interrelated. He summed up his theory in an unforgettable catechism: Who rules East Europe commands the Heartland; who rules the Heartland commands the World Island; who rules the World Island commands the World (The Geographical journal, 1904, 4 ( xxiii)).

In the tradition of geopolitical thought Alfred T. Mahan holds a special place. His views were shaped by the seventeenth century conflicts between Holland, England, France and Spain, and by the nineteenth century naval wars between France and Britain, where British naval superiority eventually defeated France, consistently preventing invasion and blockade, Napoleonic war: Battle of Trafalgar and Continental System (Mahan 1890)

Negating the existing polemics associated with the theories of geopolitics, American Geo politician N.J. Spykman offers an alternative way of looking at the thing. He can be considered as a disciple and critic of both Geo-strategists Alfred Mahan, of the United States Navy, and Halford Mackinder, the British geographer. He emphasized more on The Rimland. It has great importance coming from its demographic weight, natural resources, and industrial development. Spykman sees that its importance as the reason that the Rimland will be crucial to containing the Heartland whereas Mackinder had believed that the Outer or Insular Crescent would be the most important factor in the Heartland's containment (Ismailov 2008:13).

### **Geopolitics and Geo - Strategy**

Term geopolitics was coined by Rudolf Kjeillen in 1899, described it as the theory of the state as geographical organism or phenomenon in the space. The father of German geopolitics defined geopolitics as the new national science of state, a doctrine on spatial determines of all political process, based on the broad foundation of geography (Cohen 2003:11). As geopolitics rely on two disciplines – geography and politics, so it approaches change according to time and its analyses common to both discipline.

Geo Strategy (as branch of geopolitics) refers to various theories regarding foreign policy which are motivated by the desire for the control of foreign resources to fulfill material resources. Its objectives are defensibly motivated. It is true that Mackinder was not the founding father of modern geopolitics but he was the first person to devise a global theory which remained relevant till date.

### **Halford Mackinder and Geographical Pivot**

British Geographer Mackinder discussed about the historical game and balance of power between Europe and Asia. Mackinder who interpreted the world historical process on the basis of the idea of world's primordial division into isolate areas. Each area had its own specific function to perform and asserted that European civilization was the product of the outside pressure. He also viewed from the same perception that Europe and the European histories as a result of many centuries struggle against invasion from Asia. He believed that the Europe's expansion was necessary to respond the pressure coming from center of Asia. He completely disagreed the idea that Asia had enjoyed any kind of civilization superiority over Europe.

According to Halford Mackinder, it was the Heartland (where the continental masses of Eurasia were concentrated) that served as the pivot of all the geopolitical transformation of world Island. He said that Heartland was in the most advantageous location. This idea suggested that the geopolitical subject (actor) that dominated the Heartland would possess the required geopolitical and Geo economy which control the world Island. Mackinder placed the pivot in the planet, which include river basin of Volga, the Yenisey and the Amu and Syr Darya. These rivers did not connect with wider world but rather drained into large inland lakes. This Pivot was thus impregnable to attack by maritime powers, yet was able to sustain large population itself (Megoran & Sharapova 2005 :12). For historical and geopolitical reason the pivot become the natural center of force. Mackinder identified the "inner crescent" which coincide with the Eurasian coastal area known for most intensive civilization development which include Europe, Southern, South-western and eastern Asia. There was also "outer crescent" which include Britain, Southern Africa, Australia and Japan zones geographically and culturally alien to Eurasia. He believed that the historical

procession were concentrated on the Heartland the homeland of all the nomadic empire of the past, territory populated by Turkic tribes who invasions forced Europe to unite (Ismailov 2008:11). The pivot area was controlled by Russia which has advantage of Railways to transport populations, wheat, cotton, fuel and metals to enhance the process of economic development. After World War I, Mackinder restated his idea in "Democratic Islands and Reality (1919)" the pivot was renamed the heartland and enlarged to the Black Sea and much of Baltic. He supported the middle tier European states – Baltic, Poland, Czechoslovakia, Austria, Hungary and Yugoslavian but he also realized and the Soviet Union (Blouet 2005:01-02). His new networking formula could be summed up "Who rules East Europe commands the Heartland; who rules the Heartland commands the World Island; who rules World Islands commands the world." (Mackinder 1904).

At the end of Second World War it was the camp of democracy and Socialism led by Nicholas J Spykeman's Rimland notion. Nicolas J Spykman, a US scholar of International Relation began research that resulted in publication of 'Americans Strategy in World Politics (1942)' and 'Geography of Peace (1944)' Along with Mackinder; he also paid much attention to the role of the pivot of the Eurasian continent in the world history. Spykman had the same global view as Mackinder but he rejected the land power doctrine which claims that who controls the Rimland rules Eurasia; who rules Eurasia controls the destinies of the world. According to the Spykman the Rimland (Mackinder's marginal crescent/inner crescent) was the key to the struggle for the world. He was convinced that the Heartland was nothing more than a geographical expanse open to the cultural and civilizational impulses coming from Rimland (Cohen 2003:23; Ismailov 2008:13).

Early in the 20<sup>th</sup> century the Russian Empire under Czar was transformed into Soviet Union as a result of Great October Socialist Revolution. The USSR had inherited its territory and geopolitical potential. After Second World War it set up Comecon that Pivot area acquired its most complete territory and functioned accordingly. It was only after disintegration of Warsha Pact and Soviet Union, the dominant nations – Russia itself detached from pivot area. As a result, very much as before Eastern Europe, Caucasus and Central Asia segment appeared as an independent entity Which led to the New Great Game qualitatively different from first

one.(The Heartland Theory and the Present-Day Geopolitical structure of Central Asia) (<http://www.silkroadstudies.org/new/docs/publications/1006Rethinking-4.pdf> )

### **Geographical Profile of Altai Region**

The Altai a landlocked region, which is located in between Kazakhstan, Russia, Mongolia and China, has increased its geopolitical importance due its Geopolitical, Geo-strategic and Eco-strategic point of view. Especially after the disintegration of USSR Altai region is the bone contention between Kazakhstan, China and Russia because of its Geo strategic location and mineral rich point of view. The Altai is characterized by its unique natural scenery and numerous cultural - archaeological monuments. The interests in biodiversity conservation and sustainable development of at least four countries like China, Kazakhstan, Mongolia and Russia, are focused on that region. The region is situated in the very center of Asia at the junction of Siberian taiga, steppes of Kazakhstan and semi-deserts of Mongolia. Forests cover about 25% of the republic's territory. Area: 92,600km<sup>2</sup> .The most striking geographical aspect of the Altai is its mountainous terrain. The region is situated within the Russian part of the Altai Mountains system, which covers a large part of the Republic and continues into neighboring Kazakhstan, Mongolia and China. The region continues to experience periodic notable seismic activity, which is visually made apparent through the mountains' characteristically high and rugged mountain ridges, separated by narrow and deep river valleys. The Republic's highest peak, Mount Belukha (4,506 m), is the highest point in Siberia (Enkhtaiva 2006)

Altai which is situated on the eastern of China and south of Siberia, at the crossing point of the 79th parallel and 49th meridian, has a unique geopolitical position. The province was created by the merger of two Soviet-era Kazakhstan oblasts: the old Vostochno-Kazakhstanskaya (East Kazakhstan) Oblast and Semipalatinsk Oblast. Eastern Kazakhstan bears the Altai Mountain range and its foothill forest regions, as well as the Irtysh River, and lakes Zaysan, Markakol, Alakol and Sauskan. The nature of East Kazakhstan is amazing. The steppe and semi-desert zones of Asia meet the mountainous taiga of Siberia, giving birth to a unique landscape spectrum: deserts, steppes, taiga, mountains draped with eternal sparkling glaciers, and numerous rivers and lakes. Eastern Kazakhstan province accommodates



the Katon-Karagai National Park, containing a number of wonderful natural and historical attractions: the Berel ancient graveyard, Kokkol Water fall, Rakhmanov's Hot Springs, Kokkol alpine mine and the Northern (Golden) Branch of the Great Silk Road, running across the picturesque Ukok Plateau. The trade routes to Mongolia and China also run through the area. There are many God-given places, where a man can feel himself free and easy. One such place is the Altai. The name of the Altai Mountains, which are rich in forests, rivers, fish, honey, herbs, and minerals and has a stunning beauty, comes from the Mongolian language, translated as "The Golden Mountains". Situated on the borders of China, Mongolia and Russia, it by virtue of its geographical and political features remains ecologically pure.

([www.kazakhstan.orexca.com/vostochno\\_kazakhstanskaya\\_oblast\\_kazakhstan.shtml](http://www.kazakhstan.orexca.com/vostochno_kazakhstanskaya_oblast_kazakhstan.shtml))

### **Critical Geopolitics of Altai Region**

The problem that threatened national security of a Central Asia includes the so called non – traditional risk and threats, terrorism, drug trade and illegal migration. At the same times all possible means – political, social, economic, legal, educational informational and propagandistic must be put to use in order to have a impact on current situation. The conduct of joint training, internships, technological equipments, professional training and educational sources with aim of exchanging experience of border, policy and custom bodies of states, which take part in the joint fight against trans-border threats appear to be especially effective (Yerbulat & Seilekhanov 2007, Eurasian Report,2(1)).

Traditional conception of security emphasizes territorial integrity and national sovereignty as primary values to be protected. In this notion, traditional threats are essentially related to external military threats that seek to undermine the security of the sovereign state and its territorial integrity. Throughout the Cold War period, security perspectives were based on state-centric approach of classical realism and Neo-realism, which considered empowerment of military power as the cornerstone of national security. (Umetova 2009, "Traditional and Non-Traditional Threat to the Central Asian Security", Seminar 22 October 09, JNU, CRCAS).

The security concept that evolved in the 1980s broadened the concept of

security to include non-military security threats or non-traditional threats such as originating from economic, social, environmental and political issues. It focuses on human security and is centered on the empowerment of the people vis-a-vis various problems, conflicts and issues (ibid).

Soft security and the porous border yet another problem in regard to Russia's relations with Kazakhstan is that the border between them is lacking the necessary infrastructure for border controls. The fact that the border has effectively been left open, the existence of a large number of circuitous routes through the mountains of the Altai Region (which are passable for most of the year) and absence of natural boundaries all facilitate the illegal (untaxed) export from Russia of strategically valuable raw materials and products. In addition, the transparent border allows narcotics originating in Kazakhstan and other parts of Central Asia to be imported into Russian territory. The Tajik and Uzbek diaspora in Siberia have been involved in the transit of narcotics. Kazakh police, meanwhile, are effectively blocking proposals by their Russian counterparts for cooperation and joint operations to curb drug trafficking across their shared border. A signed agreement is the only outcome of attempts by Altai police to foster cooperation with Kazakh. In practice, however, the Kazakh have not engaged in any joint operations to date and have categorically rejected proposals that might allow Russian policemen from Altai access to Kazakh territory to carry out operational manoeuvres. Respective countries' law-enforcement agencies and customs officials have not yet reached the level necessary to curtail such activity (Ministry of External Affairs, Kazakhstan, 2009).

### **Strategic Nuclear Testing Region**

More than 460 nuclear explosions, including more than 120 in the atmosphere, were carried out from 1949 to 1990 at the Semipalatinsk testing ground. Though it was the nuclear testing zone of the USSR, after the break down of the USSR, Russia has not used this area as a nuclear testing zone but for its geo-strategic significance and rich uranium deposits. Russia wants to maintain hegemony in this area to keep China and Kazakhstan's influence away from it (Bocharov 1995:1).

## **Silk Road diplomacy and Sub-regional counter-narcotics policy**

The Great Silk Road trade route played a major role in the development of commercial relationships and trade and in the exchange of progressive scientific and cultural ideas. For almost fourteen centuries, the region had been serving as a major staging post for the ancient Silk Road; the route was used to transport silk and other goods between empires. The Great Silk Road was an important part of history because it connected people from many different cultures and religions as they met in towns to trade. While doing business, it was probably common for travelers to share ideas, traditions, knowledge, and philosophy. Though Kyrgyzstan is known for the Great Silk Road but it also through Altai Region, a historic trade route that crossed through the land more than 2,000 years ago. The Great Silk Road was not a single road but was made up of many small routes. Trade was connected from the east to the west, including China, Iran, India, and the Arabian Sea. "The latter brought prosperity to the city-states situated along the route and largely contributed to the unique mixture of cultures, traditions, languages, tribes and nations. The importance of the Silk Road significantly diminished with the establishment of sea-routes from Europe to India. Moreover, the creation of the 'iron curtain' during the Soviet era finally detached the region from the rest of Asia" (Rafis 1998:4)

In recent years attempts are going to connect this part of the world with outside world. As a result of which both external and regional actors are trying to develop infrastructure facilities in this part of the world in the form of building highways, bridges, etc aimed at revitalizing the old Silk Road. A Declaration on rebuilding the Great Silk Road was adopted in 1992 in Brussels. The European Union, the World Bank, the Asian Development Bank and the European Bank for Reconstruction and Development all offered funding towards the project. The idea of a new Great Silk Road plays an important role in constructing a strong foundation of understanding and trust between the nations of the region, within which there are still political and military conflicts. While addressing the U.S. Congress in 1999, the then Kyrgyzstan's President Ashkar Akaev presented a doctrine entitled "Diplomacy of the Silk Road." Later, Iranian President Mohammed Khatami presented the idea of a 'Dialogue of civilizations along the Great Silk Road.' These envisage the development of trade, economic, political and cultural links of countries along the

Great Silk Road. These include China, the five Central Asian countries, the Russian Federation, other CIS countries and Western European nations, practically encompassing the entire Eurasian continent. As Akaev mentioned, the Great Silk Road connected East and West (and to some extent North and South) by trade, economic, cultural, humanitarian, political and diplomatic ties to some extent, and has thousands years of history. At different stages of its existence, its importance, significance and directions varied, but the one enduring feature of the Great Silk Road has been that it played the role of a connecting bridge between countries and civilizations (ibid)

The renaissance of the Great Silk Road might create the necessary conditions for transforming the region into a zone of stability, security, friendship, cooperation and equal partnership. Describing security policy in light of this doctrine, the Kyrgyz President explained that the Great Silk Road creates a favorable basis for enhancing international cooperation in the joint resolution of global problems faced by mankind in the Third millennium. It should be noted that the Great Silk Road doctrine received broad international appreciation for encapsulating the related trends of international community development processes such as the deepening of interdependence. (Osmonaliev 2004:56-58). So Silk Road would provide a favorable transport for Kazakhstan to increase trade relation with neighbouring countries.

### **Role of Regional Organization in Eurasia**

After the disintegration of USSR Central Asian Countries face various problems in common such as boundary issues, water management policies, use of regional transport and communication network, environmental degradation, religious extremism, trans-national terrorism, drug trafficking etc. (Buzan & Waever 2003). In order to maintain peace and stability in the region these countries come forward to develop friendship so that they can focus upon their economic development. As the central Asian countries are newly created independent states they lack the international prestige and power which other countries enjoy. So in order to play an assertive role and a better bargaining position with outsiders they have to forge integration among themselves (Spechler, et al. 2006). Unless the countries of Central Asia make a concert mutual effort towards integration they continue to remain weak

players both individually and in term of their regional significance. So they formed various regional organizations to solve their individual problems collectively.

### **Commonwealth of Independence States**

The organization was founded on 8 December 1991 by Belarus, Russia and Ukraine by signing a Creation Agreement on the dissolution of the Soviet Union and the creation of CIS as a successor state to the USSR. At the same time they announced that the new alliance would be open to all republics of the former Soviet Union, as well as other nations sharing the same goals. The CIS charter stated that all the members were sovereign and independent nations and thus dissolved the Soviet Union (Agreement on Establishment of CIS 1991). On 21 December 1991, the leaders of eight additional former Soviet Republics –Armenia, Azerbaijan, Kazakhstan, Kyrgyzstan, Moldova, Turkmenistan, Tajikistan and Uzbekistan– joined the CIS, thus bringing the number of participating countries to 11 (Alma-Ata Declaration 1991). Georgia joined two years later, in December 1993. As of that time, CIS included 12 of the 15 former Soviet Republics.

### **Central Asian Union**

In the wake of disappointment with the CIS and concern that it might turn into a means for restoring the USSR, the Central Asian Union was created in 1994, originally comprised of three states--Kazakhstan, Kyrgyzstan, and Uzbekistan. However, the first step towards this process started in 1993 summit of five Central Asian leaders. They signed a communique for setting up embassies in these countries, common market and exchange of representatives (Mandeibaum1994). The creation of the Union caused certain euphoria about the prospects of regional integration, and a number of regional cooperation institutions and mechanisms were established, such as interstate presidential and prime minister-level committees, and the Central Asian Bank for Cooperation and Development. In 1994, these countries signed “Common Economic Space” which remains central to CAU. In summer 1994, Kyrgyzstan President Akaev admitted that Tajikistan was the source of three perils: Islamic fundamentalism infiltrating the Ferghana Valley; drug trafficking originating in Afghanistan with a transit route through Tajikistan-not without active facilitation from

the armed forces of the United Tajik Opposition; and the problem of ten thousand Tajik refugees settled in Kyrgyzstan. Though these countries differ with their attitudes towards market reform, they became able to maintain good political relations through this organization. The president of these three countries signed a treaty of “Eternal Friendship” in 1997 (Pannier 1997).

### **Economic Cooperation Organization**

The ECO was established in 1985 as a trilateral organization of Iran, Pakistan and Turkey to promote multi dimensional regional cooperation with a view to creating conditions for sustained socioeconomic growth in the Member States. The break-up of the former Soviet Union led to the independence of Republics of Central Asia and Caucasus. In their bid to open up to the outside world and as a manifestation of their urge to revive their historic affinities with the peoples of Iran, Pakistan and Turkey, six of these Republics; namely Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan along with Afghanistan sought the membership of ECO and were admitted into the organization. The participation of these new Members in the activities of the Organization commenced after their formal accession to the Treaty of Izmir at an Extraordinary Meeting of ECO Council of Ministers held in Islamabad on 28th May, 1992 (Secretariat ECO).

### **Eurasian Economic community**

EEC originated from the Commonwealth of Independent States customs union between Belarus, Russia and Kazakhstan on the 29 March 1996. The Treaty on the establishment of the Eurasian Economic Community was signed in 2000 in Kazakhstan's capital Astana by Presidents Alexander Lukashenko of Belarus, Nursultan Nazarbayev of Kazakhstan, Askar Akayev of Kyrgyzstan, Vladimir Putin of Russia, and Emomali Rakhmonov of Tajikistan (Foundation of Agreement on EAEC). Decision making capacity of Kazakhstan, Kyrgyzstan, Russia, and Tajikistan are weighed with 40% Russia, 20% Belarus and Kazakhstan each, 10% Kyrgyzstan and Tajikistan each. The main aim is a full-scale customs union and common economic space (stressing also energy, banks) similar to the EU that is successor to the European Customs Union, that has been established in full accordance with the

principles of the UN and with the rules of international law (Localizado 2005).

### **Shanghai Cooperation Organisation**

Shanghai Five began as a forum to resolve the boundary dispute between the former Soviet Republics and China. The "Agreement on Strengthening Military Confidence in Border Areas" was signed at Shanghai on April 26, 1996, by Russia, China, Kazakhstan, Kyrgyzstan and Tajikistan, that came to be known as the Shanghai Five. The agreement focused on confidence building measures (CBMs) in order to avoid any type of confrontation. In 1997, the five countries signed the "Agreement on Mutual Reduction of Military Forces in the Border Areas." In 2001, this organisation became Shanghai Cooperation organisation with the admission of Uzbekistan into its fold (Shanghai Cooperation Organisation Agreement 2001).

### **Areas of cooperation**

Since there are multitudes of regional organisation in the central Asia and worldwide, the functions of these organisations are often overlapped. This is the reason that I have mentioned the regional organisations and their functions separately. However, we have to examine the various areas in which the Central Asian countries and other powers in the region cooperate with each other. These include an effective management of regional water resources, the improvement of alternative transportation networks, the creation of a regional security system, and the legal regulation of boundary issues. These are described as follows.

### **Transport**

Central Asia is considered to be at the heart of Eurasia, serving as a conduit, between the East and the West as well as the North and the South; it is a gateway to Europe for China and South Asia and it is pivotal in the relationships between Russia and the southern Asian countries. The region is the repository to the third largest oil and gas deposits in the world, after the Persian Gulf and West Siberia, and the world's second largest producer of cotton. In this sense, the region is a 'virgin area' for investment. The region is served by an extensive national rail and road

system (Asian Development Bank 1998) but it has no direct access to the sea or to the world's transport network. The newly independent countries of Central Asia share a common post-Soviet system of transport communications, including roads (rail and auto), oil and gas pipelines. Through the break-up of the Soviet empire the successors inherited a well-developed, but lop-sided infrastructural framework, albeit 'ill-suited to the needs of free and internationalized markets' (Starr 2004). This skew makes all the countries of the region completely dependent upon the 'northern corridor. The existing Kazakhstan– China rail link through 'Druzhba' started operations in 1992. It brought about a growth in the region's trade relations with China and today this link is becoming a gateway for the thoroughfare of oil and gas pipelines. On 15 December 2005 the construction of a 988 km Kazakhstan–China oil pipeline from Atasu in West Kazakhstan to the Chinese border town Alashankou was completed. It enables this Central Asian country to export up to 100 million tons of a year (Pravda 2005).  
[.http://www.google.co.in/search?hl=en&source=hp&q=pravda+2005](http://www.google.co.in/search?hl=en&source=hp&q=pravda+2005)

### **Boundary regulation**

The establishment of 'national soviet republics' in Central Asia in the 1920s and 1930s was carried out on the basis of a classical principle of colonial policy— 'divide and rule'. The Commonwealth of Independent States (CIS) has played a positive initial role in the maintenance of stability of the post-Soviet administrative borders, recognizing the importance of status quo with respect to existing administrative borders. The Central Asian countries have reinforced the mutual respect between them in respect of the existing state borders, through an array of agreements such as the agreement between Kazakhstan, Kyrgyzstan and Uzbekistan on 10 January 1997 and the agreement between Kazakhstan and Uzbekistan on 31 October 1998 (Rumer 2004). The Shanghai Cooperation Organization first manifested itself as a mechanism of border security between China, Kazakhstan, Kyrgyzstan, Russia, and Tajikistan in 1996. While the group agreed to maintain troops on their respective borders, there were no acceptances of mutual or collective security arrangements. By 1997 the five member group signed a confidence building document to reduce the number of troops stationed along these border regions, and restrict them to defensive troops only (Polat 2002).



The delimitation of a 2440 km long Uzbek–Kazakh state border was completed in the fall of 2002. The Joint Working Group, established in 2000, worked vigorously for two years. The upshot was the signing of two documents on delimitation by the heads of state. In the first agreement that was signed on 17 November 2001, the parties agreed with regard to 96 per cent of their common frontier. The heads of the state instructed the working group to undertake a detailed work on delimitation of the rest of the 4 per cent of shared boundaries. This included frontier localities, such as Turkestanets and Bagis, populated mainly by ethnic Kazakhs. By September 2002, agreement was reached that Bagis, with an area of approximately 800 hectares with burial places of ancestors and sources of potable water, should be under to the jurisdiction of Kazakhstan (Rumer 2004).

### **Trade**

The Commonwealth of Independent States (CIS) attempted to preserve the “single economic space of the Soviet Union” (Gleason 2001:1084). One main goal for the CIS with regard to former Soviet states was to at least maintain a credible balance of payments, enabling the equitable conduct of trade relations. Trade agreement was signed between Uzbekistan/Kazakhstan of 1994. This agreement set a goal of “an abolishment of tariffs and the creation of a common market” by the year 2000 (Ibid). In 1994 Kazakhstan, Kyrgyzstan and Uzbekistan signed a treaty on Establishment of Single Economic Space. It provided for : (1) to coordinate joint actions in the matters of the economic reforms, the development of market economy, and the formation of effective mutually advantageous economic relations in order to more effectively use rich natural and mineral resources of the contracting parties; and (2) to create and develop a common economic space based on the freedom of movement of goods, services, capital and labor in the light of the necessity to implement the provisions of the CIS Treaty on the Establishment of the Economic Union (Treaty on the Establishment of Single Economic Space between Kazakhstan, Kyrgyzstan and Uzbekistan, 1994). Kyrgyzstan entered into this agreement and the idea of a “Central Asian Union (CAU)” was presented at a meeting of Central Asian presidents in late 1994. The idea of the CAU expanded to a “three plus one” format when Tajikistan entered the union as an observer in 1996, and a full member in 1998. The Economic Cooperation Organisation broadened its membership outside the

Central Asian states to include Iran, Pakistan, Afghanistan, and Azerbaijan (Tang 2000:369). In principle, this group should have more resources with which to work in trade alliances. The 2000 “Declaration by the Heads of State of the Member States of the Shanghai Cooperation Organization” expands upon the organizations principles and goals. In terms of economic cooperation, trade is an area of emphasis. “We hold that the economic partnership is a particularly important task in the activities of the SCO. Toward this end, the negotiation process will be intensified on the questions of creating favorable conditions for trade and investment and of elaborating a long-term Program of Multilateral Trade and Economic Cooperation” (SCO Declaration 2002).

### **Security**

The 1992 CIS Collective Security Treaty summit in Tashkent created an agreement between CIS states that mimics Article V of the NATO treaty, namely, “aggression or threat of aggression against one state would be regarded as aggression against all participants in the treaty” (Gleason 2001:1077-1095). The “Treaty on Deepening Military Trust in Border Regions in 1996, the Treaty on Reduction of Military Forces in Border Regions in 1997, the 1998 Alma-Ata Summit, the 1999 Bishkek Summit, and the 2000 Dushanbe Summit, which have made significant contribution to regional and world peace, security and stability, greatly enriched the modern diplomatic and regional cooperation practice, and exerted an extensive and positive influence in the international community” (SCO Declaration 2001). Security is identified as a primary focus of the SCO. In particular, the areas of religious extremism, ethnic separatism, terrorism, and border security are of major concerns for member states. Border agreements with respect to defining the territorial boundaries were the initial basis for a predecessor to the Shanghai Cooperation Organization, the 1996 Agreement on Confidence-building in the Border Area (Hessbruegge 2004).

### **Problems to Regional cooperation**

Though the five Central Asian states have drawn up many plans for regional cooperation among themselves yet they failed in achieving their objectives. It may be remarked here that they have numerous significant advantages for successful integration but it seemed often less practical. The various constraints to regional

cooperation can be described as follows.

### **Different levels of development**

The Central Asian countries have different levels of per capita GDP. Kazakhstan had \$ 8,700 per capita GDP on a purchasing power parity basis while Uzbekistan had \$ 1,900, Kyrgyzstan \$ 1,800 and Tajikistan \$ 1,200. (World Fact Book 2005). As such it resulted in incompatible trading regimes. The member countries especially the poorer ones lacked political commitment to regional trade liberalization due to the fear that they would lose more than others. Again it may be observed that the five countries' economies never constituted a single self-sufficient system being for many years just a part of a highly integrated Soviet economy and their resource endowments are more competing than complementary (Pomfret1995). All five countries export primarily a limited range of commodities which are generally most common among them: Kyrgyzstan exports mainly gold and electricity; Tajikistan electricity, cotton and aluminum; Turkmenistan cotton and natural gas; Uzbekistan cotton and gold; and Kazakhstan mainly oil and metal products. Even in the sphere of energy the Central Asian states have focused on import-substitution strategies at the expense of regional trade (Spechler2002:46). Again it may be mentioned that the Poor land, rail and air connections within the Central Asian region have been a major constraint on intraregional trade. However, the regional cooperation is also halted by the Protectionist trade policies among the member countries. Among the Central Asian countries, Kazakhstan and Kyrgyzstan are the most liberal where as Uzbekistan and Turkmenistan have created artificial boundaries against trade liberalisation (Graffett 2003).

In the last it can be said that the regional organisation in Central Asia were built mainly to overcome the difficulties faced by the central Asian countries after the collapse of the Soviet Union and partly by the desire to remain independent from the Russia. This process of regional cooperation was spearheaded by Kazakhstan in particular. Though these organisations failed partly in achieving its objectives, yet it could let aware the central Asian countries of their mutual interest. It may be remarked that these organisations was very useful in diffusing various crisis for the time being through political discussions.

## **Multi-Vector Foreign Policy**

The Geo-Strategic location, fluid central Asian political environment and major powers presence in Central Asia forced Kazakhstan to pursue a multi -vector foreign policy. At the same times Kazakhstan started an assertive foreign policy in order to suite the changing needs of the time. The foreign policy of the country is divided into three distinctive phases: 1991-95,1995-2000 and third phase after September 2001(Sultanov 2001:2-4).

The best outcome of the long term interest of Kazakhstan would be based on sustainable economic growth and political stability of central Asia. In this regard Kazakhstan is highly interested in political and economic stability not only at home but also in its neighboring states (Yerbulat&Seilekhanov 2007:71) So Kazakhstan is trying to maintain a balance foreign policy towards its neighbors. For centuries, Kazakh leaders perceived China as their main security threat, inducing them to ally with Russia as a great power balancer. A Greater China becoming a regionally dominant power is another matter. A defacto sphere of Chinese regional influence should not be confused with a zone of exclusive political dominance in the economic sphere the aggregate assets of the 500 leading Chinese owned companies in Southeast Asia total about \$540 billion.(Brzezinski 1997:60-61) Chinese growing interest in Central Asia constrains Russia's ability to achieve a political reintegration of Moscow's control. In 2002, the Kazakh and Chinese governments signed a "Good Neighbor Treaty of Friendship and Cooperation," an "Agreement on Cooperation against Terrorism, Separatism, and Extremism" and an "Agreement between the Chinese Government and the Kazakhstan Government on Preventing Dangerous Military Activities." In May 2004, the two countries established a China-Kazakhstan Cooperation Committee, which has served as a major governmental mechanism for developing their bilateral relationship (Weitz 2008:102-10).

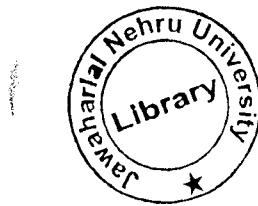
The Russian-Kazakh frontier represents the world's longest continuous land borders at over 7,000 kilometers. During the Soviet period, ethnic Russians and ethnic Kazakh's sprawled across either side of the then largely meaningless administrative borders separating the two republics, which were highly integrated as economic entities. The transformation of these administrative boundaries into national frontiers

almost overnight in 1991 created real problems for the communities on either side. In addition, the issue of border security arose as the Russian authorities were torn between wanting to allow ethnic Russians in Kazakhstan easy access to their relatives that happened to have found themselves north of the boundary after 1991 while also desiring to prevent the entry of terrorists, illegal migrants, and other undesirable aliens across the virtually unmonitored frontier. The Russian governments also found it difficult to monitor cross- trade or collect customs duties on even legitimate commerce given the length of the border and its many possible crossing points. On January 17, 2005, Nursultan Nazarbayev and Putin signed a comprehensive border delimitation agreement that, while still not satisfying all Russian and Kazakh nationalists, nevertheless has settled the issue at the governmental level. On September 22, 2008, Russian President Dimitry Medvedev said Dear Nazarbayev I am happy to welcome you to the Forum of Border Regions. Indeed, this is already the fifth such meeting, and every time we meet we see how important and necessary the work we do here (Weitz 2008:115-20). Russia is more likely to make a break with its imperial past if the newly independent post- Soviet states are vital and stable. Political and economic support for the new states must be an integration Russia into a cooperative transcontinental system (Brzezinski 1997:56-57).

The present study want to demonstrate that Geo-strategic location of Altai is playing a major determinant in the foreign policy of Kazakhstan, Russia and China. Altai is a multi-linguistic, multi-ethnic, multi-religious and multi cultural region. It is a transitional region between Russia, China and Kazakhstan. So the interest of above countries have inter acts and inter contradicts with each other. This area has been termed as the area of low pressure where the interest of the periphery high pressure areas (Russia, China and Kazakhstan) are collides with each others. Though the traditional security of this area has not been threatened today but Geo-Political location of this region is such that the traditional threat may be threatened one day. After the disintegration of USSR, Central Asia had been termed as the zone of New Great Game or the Grand Chess Board by various political philosophers in the 1990s, because after disintegration of USSR; it become the new melting point of the various major powers. Altai region has the population of China, Russia and Kazakhstan nationals. So this region one day might be acted like the grand chess board concept of Brzezinski between Russia, China and Kazakhstan.

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**CHAPTER – II**  
**REGIONAL ECONOMIC DEVELOPMENT OF KAZAKHSTAN**



**REGIONAL ECONOMIC DEVELOPMENT OF KAZAKHSTAN**

Region occupies an important place in the current Geo-political thinking. Region not only defines mere physical boundaries, it also includes, culture, identity, existing natural resources. In a broader sense the study of region can be intertwined by geopolitics as well as political factors. In the pure geographical term it defined as a large, usually continuous segment of a surface or space; area in which the accordance relation prevailed. Regional Economic development is the mechanism through which provision of aid and other assistance given to a region to ensure balanced economic development. Regional Economic development may be domestic or international in nature. The implications and scope of regional development may therefore vary in accordance with the definition of a region, and how the region and its boundaries are perceived internally and externally. Most industrialized countries have adopted some type of regional development program since World War II. The most common method of encouraging development is to offer grants, loans, and loan guarantees to companies relocating or expanding in the region. France, for example, has offered subsidies related to the amount of investment and the number of new jobs created, as well as loans, interest subsidies, and free land sites. Tax incentives are also used to encourage companies to invest in depressed areas. In other programs, the government may offer low-cost housing for workers and assistance in developing power, light, transportation, and sanitation facilities. The phrase regional development as used in the literature of social science has numerous connotations. “It has been used as synonymy for regional economic growth and regional economic development” (Thomas 2005). This chapter wants to project the Regional Economic Development of Eastern Kazakhstan in a broader perspective. No nation of the world is free from regional imbalance in the term of development. Even the developed country like USA and Europe are not free from the lopsided development. Kazakhstan being a large country is also facing the same problem. There is huge regional development difference north-south and east-west region.

Until the beginning of the 1990s, the possibilities for cross-regional, cross-border cooperation in the Altai Mountain region were not a topic for research. The socio-economic development of the territories in the area namely the East Kazakhstan, Altai Region and Mongolia's western aimaks – was within the scope of the Soviet Union's single national economy. This all changed with the collapse of the Soviet Union, as the Altai Mountain region quickly transformed into the so-called cross-border Altai junction. Not only do the natural habitats of the main religions and cultures meet here, but also the borders and the political and economic interests of what are now four distinct states: China, Kazakhstan, Mongolia and Russia.

### **Geographical profile of Eastern Kazakhstan**

This region is situated in the north-eastern part of the Republic of Kazakhstan. It borders on Pavlodar, Karagandy and Almaty regions, Altai Territory and Altai Republic of the Russian Federation, Chinese People's Republic. The region consists of 19 political units, including 15 rayons, 10 cities, 871 settlements, 254 rural districts. By January, 2001 ethnic composition of the region is the following : Kazakhs – 49,7%, Russians – 44,6%, other nationalities – 5,7%([http://kazakhstan.com/East\\_Kazakhstan\\_oblast.shtml](http://kazakhstan.com/East_Kazakhstan_oblast.shtml)).

### **Level of Economic Inequality**

East Kazakhstan is totally different from Almaty and Astana in terms of development. It is a periphery zone of Kazakhstan. The region has one of the lowest Gross Regional Product in the country. According to UNDP Report 2001, 16% of population of East Kazakhstan lives in poverty. From 2000 to 2004 the region's population decreased by 5%. In East Kazakhstan only 36% of people have access to physicians, where in Almaty and Astana this number is about 80%. The life expectancy is only 65, which is lower than national average by 2 years. Only 10% of population of East Kazakhstan has an access to telephone. The average wage in the region is about 20,000 Tenge, which is twice lower than Astana & Almaty (UNDP, Report 2001)



Twenty years ago the economy of East Kazakhstan relied on heavy industries such as steel production. But after the collapse of Soviet Union in 1991, the industries declined or some of them stopped. Kazakh's national growth has become largely oil-based, so oil-extraction has increased their share of national gross regional product (GRP), which is the sum of gross regional products. The new capital, Astana, is also a major growth center. Regional disparities in per capita GRP and fixed investment are largely rising. So some regions have posted strong growth and with rising investment but non-oil regions are sharing in the surging economy. (Kazakh Society Charity, Report 2009-2010).

During the Soviet period Eastern Kazakhstan was an agrarian, raw materials supplier of the former Soviet economy, where the military industry played the major role. The main economic content of more than 10 years of independence has become transition from the central command planning to a market system. During these years, Kazakhstan has made considerable progress in implementing complex political, economic and social reforms to establish a democratic state with a market economy. While the country has not experienced political disturbances during the transition period, it has faced numerous economic, social and environmental challenges (Rumer 2003: 5 – 6).

The present industrial production has been shaped by its enormous natural resources. The country now contained 2.8 billion tones of oil, 2 trillion tones of natural gas with 6 billion tones of additional reserves. The country has immense reserve of coal, iron and ferrous metals (ibid: 199). Industrial development which was tried to exploitation of these resources for development was concentrated in the north eastern region. The 2/3 of uranium coal, gold and other metals are found in this region. In 1955 south region produce 19% of industrial production where as eastern region amount 66-69% (Peck 2004:50). Out of total 63% of railway shipments, eastern Kazakhstan exports 50% (ibid: 53)

There is a disparity in allocation of grants to different regions of Kazakhstan can be evident from the fact that in 2009 Almaty and Astana received 13.6% and 11.9%,

respectively, of the KZT 256 billion (US \$1.7 billion) national budget. The remaining 74.5% went to 14 Kazakh regions, where the majority of the country's population lives. That means while the government spent KZT 45,000 (US \$300) and KZT 25,000 (US \$167) per capita in Astana and Almaty, it spent only KZT 13,500 (US \$90) per capita in the rest of the country. (Nurtazina 2010:3)

Spending on social programs such as health care, education, social security, transport, and communication differs significantly when one considers funding for the capital cities and that for the regions. With many jobs located in the major cities, internal migration in Kazakhstan is growing. Many are moving to Astana and Almaty to pursue those jobs, according to the nonprofit group Shanyrak-Kazakhstan. "Astana grew by almost 45,000 people, up to more than 680,000 people last year, according to the Statistics Agency" (Ministry of Foreign Affairs, 2009, Kazakhstan).

But the current economy is only part of the problem. Old habits may play a much greater role. At the political front also there is a tendency for securing greater autonomy. This view can be inferred from Esen Esetgaraev, a political scientist from Karaganda State University. According to Esetgaraev, the country inherited a highly centralised system of governance from the Soviet Union. That system ends up privileging the "center", the former and current capitals. "There is no sophisticated understanding of regional development in Kazakhstan", said Aidos Sarimov, a political scholar at the Altynbek Sarsenbayev Fund in Almaty. "Regional development policies in Kazakhstan are not implemented according to the logic of nation-building and organic state structure creation but rather with the goal of resource redistribution and bureaucratic operation"(ibid).

The external sector has played a vital role in the development of the economy, with oil-extracting oblasts having the greatest advantage. At the same time, international competitiveness in non-oil regions seems to be low, possibly because of the appreciation of the tenge resulting from oil exports and large inflows of foreign investment. (Roudoi & others 2006: 41) Kazakhstan is important to world energy markets because it has

significant oil and natural gas reserves. With sufficient export options, Kazakhstan could become one of the world's largest oil producers and exporters in the next decade. But Kazakhstan's strategic aspiration is to become a modern, diversified economy with a high value with balance regional development has failed to achieve the goal (Oriental Express Central Asia).

### **Problems of Eastern Kazakhstan**

Geographically and economically Eastern Kazakhstan presents a serious problem. Though this region is rich in mineral resources, there is a large gap exist between rich and poor and which can be looked from a ethnic perspective. . At the same times it is concentrated mostly Slavic ethno-cultural people of Russia, Ukraine, Belarus over 55% (Dienes 1987:6-7). The industrial Urban centers are predominately Russian, rural areas remained predominately Kazakh. In 1991 53% of specialist in Kazakhstan was Russians and 24% Kazakh (Peck 2004:55). Kazakhstan's industrial economy was substantially concentrated in primary sectors like ferrous and non- ferrous metals, fuels, electricity, machine buildings and chemicals in northern eastern region, 90% were under Soviet enterprises heated due to mass exodus of Russian People after 1991(ibid : 60)

### **Kazakh Government's Policy to Reduce Regional Imbalance**

Kazakhstan's economy is an oil dependency and agricultural based economy. Kazakhstan's employment structure is broadly with a large share in agriculture and services and a small share in industry. The average share of employment in industry for 2000–2005, at 16.9 percent, 33.1 percent of Kazakh ware employed in agriculture. Although agriculture shared one third of total employment its share in GDP is 8.6%. The first few years of Kazakhstan's Independence were characterized by an economic decline (mostly due to the destabilizing force of disintegration of the Soviet Union): by 1995 real GDP dropped to 61.4% of its 1990 level. This economic deterioration exceeded the losses experienced during the Great Depression of the 1930s. The wide-ranging inflation observed in the early 1990s peaked at annual rate of up to 3000% in mid-nineties. Since

1992, Kazakhstan has actively pursued a program of economic reform designed to establish a free market economy through privatization of state enterprises and deregulation and today is generally considered to be more advanced in this respect than most other countries of the CIS. Kazakhstan remains one of the most successful reformers in the CIS, though its record is less strong when compared with more advanced transition countries of Central and Eastern Europe and it has the strongest banking system in Central Asia and CIS. Kazakh economic growth averaged 10.4 percent in the period 2000–2004. Oil exports, with world prices rising and total oil production increasing, have driven growth. Oil production has risen at an average of 15 percent annually between 2000 and 2004 (USAID 2005). So the main driver behind Kazakhstan's economic growth has been foreign investment, mainly in the country's booming oil and natural gas industries (ibid)

In October 1997 President N. Nazarbayev addressed the people of Kazakhstan with a message spelling out the 'Country Development Strategy till 2030'. This chapter analyses the Modern History of independent Kazakhstan and sets out the major thrusts of the country's development for the forthcoming 30 years.

The long-term priorities are:

- National Security: to ensure the development of Kazakhstan as an independent sovereign state, maintaining its complete territorial integrity.
- Domestic political stability and social consolidation: to safeguard and strengthen domestic political stability and national unity, enabling Kazakhstan to put its strategy into practice in the current and subsequent.
- Economic growth based on an open market economy with high a level of foreign investments and internal saving. To achieve realistic, stable and enhanced rates of economic growth.
- Health, education and wellbeing of Kazakhstan citizens: to considerably improve standards of living, health, education and other opportunities for Kazakhstan citizens. To improve the natural environment of the country.
- Energy resources: to effectively utilize the energy resources of Kazakhstan by rapidly increasing the extraction and exploration of oil and gas, with the

aim of gaining revenues with which to ensure sustainable economic growth and improve citizens' living standards.

- Infrastructure, particularly transport and communications: to develop these key sectors in such a way that they help strengthen national security, political stability and economic growth.
- Professional state: to establish an effective and up-to-date corps of civil servants and state-owned institutions of Kazakhstan, loyal to the cause they serve, and capable of acting as representatives of the people in achieving our priorities (<http://www.kazakhstan.orexca.com>)

UNDP Office in Kazakhstan was opened in 1993 soon after the country joined the United Nations. Since then UNDP office has implemented more than 100 projects in Kazakhstan in the amount of around 41 million US dollars (Kadyrzhanova2007). The Energy and Environment unit of the UNDP Kazakhstan has developed a large project portfolio of the national and regional projects in the area of environmental management, policy development, capacity building and community involvement into improving the environmental management policies and integration of environmental and socio-economic priorities into development policies .Existing portfolio: The Energy and Environment portfolio of UNDP Kazakhstan contains 10 on-going national projects (ibid).

### **Major Indicators of Eastern Kazakhstan's Economic Development**

In a short period of time it is very difficult to give a comprehensive picture about development of Eastern part of Kazakhstan. That is why one has to look the economic development from a broader perspective. Apart from oil and natural gas there are other sectors of country's economy which needs to be highlighted to have an overall picture about Kazakh economy.

## **Tourism**

After gaining its independence, Kazakhstan laid the foundation for regulation of tourism activity and revival of people's cultural and historic heritage. In 1993 The Republic of Kazakhstan became a full member of World Tourism Organization. In order to develop the tourism sector Kazakhstan created necessary standard legal basis. In June of 2001 the new Law "About Tourism Activities in the Republic of Kazakhstan" was ratified. It determines legal, economic, social and organizational fundamentals as of one of important sectors of Kazakhstan's economy. According to this Law the main principles of state regulation of tourism activity in Kazakhstan are the following: contributing to tourism activity and creating favorable conditions for its development; determining and supporting priority trends of tourism activity; positioning Kazakhstan as a country auspicious for tourism. Tourism is considered as one of priority fields in state economy development because of its direct and indirect effects on key economic sectors such as transport, telecommunications, construction, agriculture, fast moving goods production, being hence a kind of catalyst of socio-economic development. There are actually in Kazakhstan about 430 travel organizations and companies of different types of ownership. They employ about 6 thousand people and 1500 professional tourist guides. It should be noted that the major tourist centres are located in the Eastern Kazakhstan. So giving importance of tourism industries by Kazakh's government also explicable led the development of Eastern Kazakhstan (Asian-Development-Bank, report 2005, Kazakhstan)

## **Silk Road**

Among potential trends of national tourism sector development much attention is paid to Great Silk Road tourism. Northern part of Silk Road is located in the Eastern Kazakhstan territory and this object is qualified a priority among other United Nations and World Tourism Organization projects. Ancient caravans passed from Djungar gates (station Druzhba) from internal China, turn round the Alakol Lake, through the Altyn-Emel pass to cities in the valley of Syrdarya and Amudarya Rivers. Major part of

railways and motor roads of Southern and South-Eastern Kazakhstan completely coincide with his unique commercial activities. So Silk Road would provide a favorable transport for Kazakhstan to increase trade relation with neighbouring countries (ibid).

### **Cotton Industry**

In 2005 the Kazakhstan Development Bank has funded a project to upgrade the technology at the UTEX cotton processing company in Eastern Kazakhstan. The total project cost is US\$ 19.3 million and the design capacity of the plant is approximately 6,000 mt. of cotton yarn per year. The yarn is sold throughout Kazakhstan and exported to the Russian Federation and Ukraine. (<http://www.eia.doe.gov/cabs/kazapriv.html>).

### **ADB assistance projects in ~~Central~~ Kazakhstan**

<b>Project</b>	<b>\$Million</b>	<b>Approved on</b>
Water Resources Management and Land Improvement	40.0	30 Jun 06
Almaty–Bishkek Road Rehabilitation	52.0	30 Jun 07
Rural Area Water Supply and Sanitation	34.6	31 Dec 09
<b>Total</b>	<b>126.6</b>	

**Source:** [www.adb.org/Karm](http://www.adb.org/Karm), March–April 2005.

ADB signed two loan agreements for the total amount of \$527 million with the Republic of Kazakhstan to reconstruct Zhambyl Oblast sections of the International Transit Corridor “Western Europe–Western People’s Republic of China”, which are part of a \$700 million Multitranches Financing Facility approved by ADB in November 2008 for this corridor project. The corridor project will improve a major transport corridor across the country, linking countries in the east to those in the west, as well as opening

the way for north–south routes, including a link to both the Caspian Sea and the Black Sea. This is to be complemented by a new possible loan for reconstruction of the Aktau–Beineu Road section located in Mangistau Oblast, which will connect Kazakhstan to neighboring countries through the Caspian Sea. (Asian Development Bank Report, 2008)

So Kazakhstan has grand plans to become not just a regional, but a global economic force. Initial moves show that Astana believes that fostering strong regional cooperation is the key to the realization of the country's ambitious goals. Since the start of 2006, Nazarbayev has spoken repeatedly about his aim to transform Kazakhstan into one of the "50 most competitive, dynamically developing countries in the world" within the next decade (<http://www.eurasianet.org>). Kazakhstan's leaders promised that the country's rich natural resources, with oil and gas reserves among the largest in the world, would soon bring economic prosperity, and it appeared that democracy was beginning to take hold in this newly independent state. A decade later, economic reform is mired in widespread corruption. A regime that flirted with democracy is now laying the foundation for family-based, authoritarian rule. 44% business lost money, GDP level falls and poverty levels also rises (Olcott 2002: 130-31).

### **Foreign Direct Investment in Kazakhstan**

The literature on FDI identifies the three most common investment motivations: resource-seeking, market-seeking and efficiency-seeking (Dunning, 1993). The availability of natural resources, cheap unskilled or semi-skilled labor, creative assets and physical infrastructure promotes resource-seeking activities. Historically, the most important host country determinant of FDI has been the availability of natural resources, e.g. minerals, raw materials and agricultural products. Among the transition economies, the region of the Commonwealth of Independent States (CIS) experienced a boom in foreign direct investment (FDI) in recent years only. The magnitude of capital inflows resembles the FDI that poured into Central and East European (CEE) countries in the 1990s. The FDI coming in to the CEE countries in 1999 contributed to a major growth in the productivity of local industries and services, acting as an important source of modern



technology and managerial knowledge. The aim of the current analysis is to explore the motives for FDI in the selected CIS countries (Ukraine, Moldova, Georgia and Kyrgyzstan), and to analyse how the business and industry environment in these countries affects foreign investors (Dunning 1993).

### **Construction Industry**

IBRD and ADB have granted loans to facilitate the rehabilitation of the Almaty-Bishkek road (245km) and to finance small-scale improvements to access roads. Asian Development Bank loan worth 52m dollars and a European Bank for Reconstruction and Development loan worth 25.5m dollars will be spent on reconstructing the Almaty-Bishkek road in 2003-2004. The need for construction materials provides another opportunity for foreign companies. Only 47% of the construction materials used in Kazakhstan are available domestically. Locally produced materials include cement, bricks, wooden doors, windows, steel doors, and soft and iron roofs. All other materials are imported, mainly come from Turkey, China, and Germany (Asian Development Bank Report 2008).

### **Transport and Communication**

The geographical position of Kazakhstan is important for the international transport and communication system and the country's territory is crossed by three main transit routes: Europe-China (via the territories of the Economic Cooperation Organization (ECO) countries: Afghanistan, Azerbaijan, Iran, Kazakhstan, Kyrgyzstan, Pakistan, Tajikistan, Turkey, Turkmenistan and Uzbekistan); Europe - China (via the territories of the Economic Cooperation Organization (ECO) countries. Railway services play significant role in the transport-communication network. It provides up to 70% of cargo and 50% of passenger turnover in the overall transport operations in Kazakhstan. Total mileage of the railways in Kazakhstan exceeds 14 thousands km connecting all regions of Kazakhstan and suitable for international transit transportation. In 2003 the amount of investment into this sector increased up to \$290 million against \$120 million

in 2002. For the development of all the above communication Kazakhstan is inviting huge FDI from IDI and ADB. Though Kazakh government is spending a large amount of FDI in Astana and Almati at the same time it also gives subsidies to spend in different sector in Eastern Kazakhstan (Asian Development Bank Report 2008).

### **Nuclear Power Plant**

Departments of Foreign Policy of the two countries, signed an agreement on Mar. 24, 2010 in Tokyo, By Which Japanese company agreed to establish nuclear power plant in Eastern Kazakhstan. (Kazakhstan today 2010, Ministry of External Affairs, Kazakhstan).

### **Altai and China**

The level of cooperation between Altai and China is rising at a constant rate. There are 83 Russo-Chinese joint ventures in Altai. The latter mostly exports steam boilers and related parts, metalworking products, and timber, and imports everyday goods like toys, clothes and processed agricultural products. Relations between Altai and the XUAR were at their best between 1998 and 2001. In February 1999, the governing bodies of the Altai and the XUAR drew up a socio-economic, scientific, technical and cultural treaty. A permanent working group was created as part of this agreement, and a wholesale market for Chinese goods was opened in Barnaul. A group of companies operating in the areas of the timber trade, crop cultivation, and the manufacture of mixed fodder has also been established (<http://www.iiss.org/programmes/russia-and-eurasia/copyof-russian-regional-perspectives-journal>). The trade relation of Xinjiang province of China which is closed related to Central Asia is given below in both tabular and statical format from which we can presume that how Xinjiang is closed related with Central Asia.

### Trade Relation between Xinjiang and Central Asia

Kazakhstan	Kyrgyzstan	Tajikistan	Uzbekistan
Clothing, Sugar, food, Petroleum, electricity	Clothing, Shoes, construction material	Cars	Clothing, Shoes, electronics

**Source:** "Regional Economic Cooperation in Central Asia", Asian Development Bank, July 1998, [www.adb.org/carect/trade.asp](http://www.adb.org/carect/trade.asp).

### Xinjiang and Central Asia Trade Statics, 1992-1996 (Million US Dollars)

Country	1992	1993	1994	1995	1996
Kazakhstan	368.29	434.74	335.65	390.99	466.44
Uzbekistan	52.2	54.24	123.67	118.55	181.32
Kyrgyzstan	35.49	102.45	105.38	231.04	103.40
Turkmenistan	4.50	4.65	11.26	17.60	12.06
Tajikistan	2.76	12.35	3.18	23.86	11.99
<b>Total Trade</b>	<b>\$463.56</b>	<b>\$608.43</b>	<b>\$579/14</b>	<b>\$782.04</b>	<b>\$775.21</b>

**Source:** *Economic Informations and Agency. 1992\_96, China's Customs statistics, various issues*, Hong Kong, reproduced in James P. Dorrian, Breatt Wigdortz and Dru Gladney, "Central Asia and Xinjiang, China ; Emerging Economic and Ethnic Relation", *Central Asian Survey*, 16(4), 1997 :477.

### Kazakh – Russia Economic Cooperation

It is worthy to note that current state of near-border relations takes its rise from the Agreement on cooperation of near-border regions of Kazakhstan and Russia as of January 26, 1995. Later priority aspects of near-border cooperation were outlined in such

important documents as the Program on near-border cooperation for 1999-2007, 2008-2011(<http://www.inform.kz>). The longest land frontier of 7, 500 km between Kazakhstan and Russia is a factor of no little importance. Moreover seven regions of Kazakhstan share borders with 12 subjects of the neighbor country. Approximately 40% of bilateral commodity turnover falls on near-border zone. More than 340 joint enterprises are functioning in frontier zone. Besides 70% of the Kazakhstan-Russia trade volume falls on inter-regional ties. 76 Russian regions from Moscow to Tatarstan support trade-economic relations on a regular basis. Such close cooperation is reflected on the state and development of all range of trade-economic ties. To date Russia is the largest trade partner of Kazakhstan. As earlier reported, fuel-energy complex, nuclear energy, agro-industry, transport industry, space development were defined priority directions of bilateral cooperation by the Heads of the two states. The share of bilateral commodity turnover makes more than 18% of the total foreign trade turnover of Kazakhstan. According to the data provided by the Kazakh Foreign Office goods turnover in 2008 made USD 19.9 billion that is 22% higher against 2007. Functioning of more than 3, 100 joint ventures in near-border regions highlight the importance of both countries' economic ties. Among the largest ones are KazRusChrome, Koksohim, and an automobile complex on the ground of UralAZ and Kostanay Diesel Plant. In addition, the regions entered into 68 direct agreements. As is known the first Forum of Kazakhstan, Russia near-border regions took place May 17, 2003 in Omsk. At this meeting the parties defined keynote tasks on removing barriers reducing the volumes of commodity turnover between our countries, adoption of the decisions which would simplify communication of the people living in near-border zone. The forums meetings were held in Chelyabinsk (May 17, 2005), Uralsk (October 3, 2006) and Novosibirsk (October 4, 2007) also proved the efficiency of such meetings (ibid). So the Regional border cooperation is essential between Russia, China and Kazakhstan to protect the interest of all countries in Altai Region.

Every nations are aspiring for the balance regional development of their country.. But due to topographic factors, regional concentration of resources and lack of the political will of the leaders has failed to mitigate the regional imbalance. Even the

developed countries in spite of all efforts to eradicate this malaise are falling to achieve that objective. In the USA there is a great gap of development between north and south. Kazakhstan is a vast country having a wide gap of development north-south and east-west. From the very soviet period the Eastern part of Kazakhstan was mainly concentrated the agro based and defence industries. After the independence due to oil boom Kazakhstan government gave more important on western oil rich areas as a result of which the eastern part become neglected. In October 1997 President N. Nazarbayev addressed the people of Kazakhstan with a message spelling out the 'Country Development Strategy till 2030'.put a great impact for all round development of all regions. But it would take sometimes to achieve this target. Russia and China are trying to develop Altai and Xinjiang provinces to eliminate the secessionist force. Kazakhstan should follow the same policy in the case of eastern part of Kazakhstan which is a multi-ethnic and multi- linguistic area other wise Kazakh shall face the same type of problems like Russia and China.

**CHAPTER – III**  
**SOCIO – CULTURAL DYNAMICS OF ALTAI REGION**

**SOCIO – CULTURAL DYNAMICS OF ALTAI REGION**

Altai refer to the region, where traditional culture of indigenous people, the Altaians, Russian old-believers, the Kazakh's compactly living here for over 100 years may be observed in full blossom. Ethnographic study of the region has begun over 200 years ago. However, there is still something to be discovered. Traditional spiritual culture of the Altaians is of greatest interest. Here there are archaic folklore genres and musical instruments never subjected to any modernization. Much is hidden in the traditional material culture of the Altaians, due to agriculturally oriented economy of the Republic. Though the importance of cattle-breeding, hunting and crafts have changed considerably under the condition of social and economic crisis but the peoples of Altai managed to preserve peculiar features of their culture. There are few corners of Eurasia indeed of the world, where a native people has succeeded in preserving its indigenous culture, its intimate links with Nature, and a world view inherent in the specific environmental characteristics of its geographical landscape. In Altai, this has been possible due to the unique properties of the natural environment, which for the time being, have protected this region from the intrusion of the standards of contemporary civilization. The natural world has installed in the Altai people an integral perception of the world and a way of life based on the heart as well as the mind. One has to acknowledge, however, that the deep crisis taking place in Russia in the material and spiritual arenas of life as well as in traditional value systems often manifests in Altai in even more acute and critical forms. Problems include destruction of the traditional way of life, a precarious material existence in contrast with the potential opportunities of contemporary technology and the penetration of the cult of money. The influence of foreign culture and political manipulation all ultimately undermine the original culture and way of life of the indigenous Altai people.

## **History of Altai Region**

Altai history is very closely tied with the history of Central Asia and its states. From the turn of the 3rd -2nd centuries B.C. to the end of the 1st century A.D, they were under political rule of the Huns, who had formed a powerful union of the hordes and tribes of the Northern Mongolian steppes. From the 2nd through the 4th centuries A.D., the Altai was under the influence of the Sianbiy; and from the end of the 4th century, the Altaian tribes were subjugated by the Zhuzhans of Eastern Mongolia and Western Manchuria and paid a tribute in iron goods. After the collapse of the Zhuzhan state in 552, there arose a new, temporary military and administrative alliance, the Turkic Kaganat, with its center in the Altai. However, continual confrontations with the Uighurs and internal strife undermined the foundations of the state and it fell in 745 under assaults by the Uyghur, who then assumed supremacy over the eastern part of Central Asia. At the end of the 780s and the beginning of the 790s, the Uighur hegemony ended. By the end of the 12th century it came under the Mongolian-speaking Naiman. The Mongols put an end to Naiman rule. After crushing their rivals in 1204, they subjugated a huge territory whose western boundary stretched to Irtysh. By early 16th century Altai came under Czar rule (Khodarkovsky 2004).

## **Socio – Cultural Profile of Kazakhstan**

Kazakhstan is a multi-ethnic society. It is composed of various ethnic groups such as Kazakh, Russian, Ukrainian, Uzbek, German, Uighur and Korean etc. The existence of large number of nationalities represents a diversified society and the impact of which is greatly felt on its foreign policy as to various nationalities try to develop good relations with their own nationalities of other countries. It facilitates the practice of the directions of foreign policy flexible enough to suit changes in the international system. This has been clearly mentioned by its President when he stated that Kazakhstan cannot depend upon a single state because of the existence of large number of nationalities in the state (Nazarbayev 1997:38). The foreign policy of the state is directed at having close relations with other countries on the basis of ethnic character. Nazarbayev plays ethnic card most



frequently while discussing countries relationship with Russia. He stated that Kazakhstan and Russia have blood relations in working together (ibid). Kazakhstan relation with China partly is also thought to be based on ethnicity. Large number of ethnic Kazakhs is there in the Xinjiang province. Hence, Astana frequently use the ethnic card in pursuing its policy with Beijing. For instance, the latter has made agreements with Kazakhstan by stating that any form of national splitism, ethnic exclusion and religious extremism is unacceptable (Beijing Review 1998:9). It has been argued that China has collaborated with Kazakhstan to stop religious extremism in China. Ties with Korea and Germany have brought socio-economic benefits to the Koreans and Germans in Kazakhstan. The growing economic ties between Kazakhstan and South Korea have created opportunities for local Koreans to play a more assertive role in securing South Korean investment and to consolidate their social and economic position in Kazakhstan (Panico 1993: 39). In the like manner it has become able to develop good relations with Russia, China, South Korea, North Korea, Germany, Ukraine and Uzbekistan on the basis of ethnicity.

The religious factor apart from ethnic element is playing an important role in shaping the contours of foreign policy of Kazakhstan. This can be marked by a balanced approach towards Islamic and Christian states. Astana joined Organisation of Islamic Countries in 1995 (Ministry of Foreign Affairs, Kazakhstan). Christianity is the second most practiced religion after Islam. Most Christian citizens are Russians and to a lesser extent Ukrainians and Belarusians. The existence of two major religions in the country balances the foreign policy towards the countries of the world. It is important for Kazakhstan to interact with Islamic education, science and culture organisation as it helps the state in implementing national projects such as preservation of cultural heritage, monuments, exchange in language in training and the study of history and culture of Islamic countries (ibid). At the same time it also wants to have close relations with the Christians countries of the west in the sphere of education, science, technology as the country wants to develop at a rapid pace. As such religious tolerance is the cornerstone of Kazakh society and it has been practiced since Mongol empire. It was declared a secular country after its Independence (Cummings 2003: 80). In 1995, President Nazarbayev also told that Islam and Christianity are two flanks of Kazakhstan's spiritual legacy. He also

stated that the political parties cannot be founded upon religions and nationalities as it would bring disorder to the society (ibid). As a multi ethnic and multi-confessional state, Kazakhstan wants international peace by developing dialogue among civilization and religion. Its President also showed a sign of his limiting and balancing act in 1994 when he traveled both on a Haj and to the Vatican. Hence, the existence of multi religions helps Kazakhstan in pursuing a multi- vectoral foreign policy.

### **Socio – Cultural profile of Altai Region**

Altai is famous for being one of the regions of ethnic and cultural genesis of modern Turkic-speaking peoples of the world (Akiner 2004). But at the same time, it is situated at the junction of formation of many civilizations of Central Asia, having exercised considerable influence over the neighboring territories and peoples.

Anthropologically, the Altaics are divided into the North and South Altaics, between whom there are outstanding differences. The South Altaics belong to the Asiatic and South-Siberian type of the Mongoloid race. The North Altaics are less Mongoloid. They exhibit some European traits and they belong anthropologically to the Uralic race. Northern Altaians include the Tubalars (the Tuba-Kizhis), inhabiting Tchoisky and Turochaksky Regions, the Kumandins - in Turochaksky Region (on the rivers Lebed and Biya), the Shors - in Tchoisky and Turochaksky Regions. The Altaians (the Altai-Kizhis), the Telengits, the Teleuts are referred to the southern Altaian (Halemba 2002).

As per the 2002 Census, ethnic Russians make up 57.4% of the republic's population, with the ethnic Altai people numbering only 30.6%. Other groups include Kazakh's (6.0%), Telengits (2,368, or 1.2%), Tubalars (1,533, or 0.8%), Ukrainians (1,437 or 0.7%) and a host of smaller groups, each accounting for less than 0.5% of the total population([http://en.wikipedia.org/wiki/Altai\\_Republic](http://en.wikipedia.org/wiki/Altai_Republic).official portal).The traditional religion of the native Altaians is Shamanism. Ethnic Russians primarily practice Orthodox Christianity. Tibetan Buddhism has also recently begun making some inroads by way of neighboring Mongolia and Tuva. Ethnic Kazakh are Muslims. But in

the Kazakh sides Kazakh Muslims are the majority (Halemba 2003:165-82).

### **Causes of Cultural diversity**

The people of this in most of their history followed a nomadic life stock herding sheep and horse in cycle of season migration. Mongol invasion in 1219 united the nomads of the north with the silk rout trading cities of south under Genghis Khan. Again the area was devised into two Khan khantes (Akiner 2004). After the Mongol captured the State, Kazakhstan fell under the control of a succession of rulers of the Mongolian Golden Horde, the western branch of the Mongol Empire. By early 16th century Moscow had grown into formidable power under Ivan Terrible (IV) and Kazakh become the part of Russian Empire. Russia began the process of settlement (Khodarkovsky2004:8-9). Shortly after the fall of Byzantine Empire to the Turkish in 1453, Moscow Tsar emerged was the only sovereign monarch of orthodox Christians. In the various times Ottoman empire and the Crimean attended to unite the Muslims, Nogays, Kazakhs, Karakalpaks and Bashkirs in a broad anti Russian coalitions (Khodorkovsky 2004: 34-35). The Tsar Government led to declaration of independence. However by 1920 Soviet had taken control and in 1936 Kazakh become Soviet Republic (Akiner 1904). So Moscow again colonized these areas. Due to a long period of Russian colonization not only Altai but also Kazakhstan's ethnic composition has changed to a great extent.

### **Altai Culture and Eurasian Integration**

The outstanding Austrian Geologist Edward Suess (1831-1914) once called the Altai the "Ancient crown of Asia", but for the modern world the Altai's central part, the Ukok Plateau in particular, is better known as the meeting place of four states: the Russian Federation, China, Kazakhstan and Mongolia. These countries' frontier areas are economically underdeveloped and peripheral mountain regions, and they are therefore only marginally affected by human activities, having no large-scale industry or big cities, for example, and the local populations are made up of diverse ethnic groups that maintain rural life patterns (UNESCO, Report 2008).

Due to the Altai's geographical position, mountain relief and severe climatic conditions, the rich biological diversity of the region is still intact, as are its many diverse landscapes. UNESCO, recognition of this, has awarded the title of World Natural Heritage Site to a group of five sites in the region, and the Altai's cultural heritage is of no lesser significance. Indeed, this region, though small in area, is at the crossroads of four of the world's major religions – Buddhism, Shamanism, Islam and Christianity and this heritage too must be protected and preserved. Today, the time has come to implement a sustainable regional development agenda for the preservation of this region's outstanding biological, landscape and cultural heritage (Badenkov 1998: 65).

Of special relevance here is the Scythian civilization that dates back 2,500 years and whose remains, frozen in permafrost burial mounds, are found in all four countries having territory in the Altai. Judging by the abundance of these mounds, civilization flourished in this region during the prehistoric period, despite the harsh climatic conditions, and archaeological research conducted over several decades has shown that the region was never isolated from the rest of Asia. However, today in the current period of globalization and climate change, the cross-border Altai region is under threat both from human pressures and from environmental factors. Human pressures include the major infrastructure development projects that are currently under way, such as the construction of a transport corridor and gas pipeline between China and the Russian Federation across the Ukok Plateau, as well as increasing tourism in the area that requires the development of hotel infrastructure and supporting communications and services. The long-term social, economic and cultural effects of such developments on the region (ibid).

### **Inter Ethnic Relations in Eastern Kazakhstan**

Ethnic tensions are on the rise in the Altai Region, as demonstrated due to poverty, unemployment, and isolation—are the underlying cause of this tension. The Kazakh community, embracing Islamic values, showed much greater solidarity in surviving under the new conditions and confronting adverse influences (alcoholism,

drugs, etc). Opening the borders for trade and cultural exchange with the trans border regions of Mongolia and Kazakhstan was an unexpected discovery for many members of the Kazakh Diaspora: the Kazakh's emerged as an absolute majority in the Central Altai Diaspora. These issues are a breeding ground for numerous conflicts (Paksoy1990). Many scholars and politicians believe that the model of reserving areas for traditional land use, provided for in Russian legislation, could help resolve social and economic questions upon compliance with certain requirements, thereby easing conflict. The Xinjiang Uyghur Muslim dominated province of China is close to Altai region. The Islamic Uighur terrorist group in this province is another threat the security of Altai (Ministry of Foreign Affairs, Kazakhstan).

So the multi-ethnic society Altai forced Kazakhstan to follow a balance foreign policy. This has been mentioned by its president when he stated that Kazakhstan cannot depend on single state because of the existence of a large variety of nationalities in the state (Nazarbaev 1997: 38). Nazarbayev plays ethnic card most frequently while discussing countries relationship with Russia. He stated that Kazakh and Russia have blood relations (ibid). More particularly Nursultan Nazerbayev tried the concept of Eurasianism. Kazakhstan relation with China partly is also thought to be based on ethnicity large numbers of ethnic Kazakh are in Xinjiang province and Chinese are in the Altai. Hence Astana frequently use the ethnic card in pursuing policy with Beijing. For instance the latter has been made agreement with Kazakhstan by stating that any form of national splitism, ethnic exclusion and religious extremism is unacceptable (Beijing Review 1998:9).It has been argued that China has collaborated with Kazakhstan to stop religious extremism in China.

The religion factors apart from ethnic elements in Altai are playing a key role in shaping the neighborly attitude towards Russia and China. This can be marked by balance approach towards Islamic and Christian states. Astana joined Organization of Islamic Countries in 1995 (Minister of Foreign Affairs, Kazakhstan). Christian is the second most practiced religion after Islam. Most of the Christians are Russians. The existence of two major religion forced Kazakhstan to follow the secular policy (Cummings 2003), In

1995, President Nazarbayev also told that Islam and Christianity are two flanks of Kazakhs spiritual legacy also stated that the political parties cannot be funded upon religion and nationalities would bring disorder in the society (ibid).

Kazakhstan's President Nursultan Nazarbayev gave a state-of-the-nation address, "the vision 2030." The foreign policy components of the speech were especially interesting, as Nazarbayev evidently wants to achieve a delicate geopolitical balance to free Kazakhstan from dependent relationships with Central Asia's main players – China, Russia and the United States. Nazarbayev appears to view great-power Neo-Colonialism as a threat equally dangerous to his administration as international terrorism and the "democracy-from-below" phenomenon. Nazarbayev clearly feels that Russia, China, and the United States each wish to dominate Central Asia, and he is determined to preserve his administration's autonomy in the face of this and other threats. Nazarbayev plays ethnic card most frequently while discussing countries relationship with Russia. He stated that Kazakhstan and Russia have blood relations in working together. Kazakhstan relation with China partly is also thought to be based on ethnicity. Large number of ethnic Kazakh is there in the Xinjiang province. Hence, Astana frequently use the ethnic card in pursuing its policy with Beijing (Ministry of Foreign Affairs, Kazakhstan).

### **The Altai and Mongolia**

Mongolia is traditionally one of Altai's most important partners as far as cross-border cooperation is concerned. During the Soviet period, most Soviet-Mongolian trade went through Altai. The Chuskii highway linked southern Siberia with Mongolia's western aimaks. For many years, various goods made in Altai reached Mongolia via this road. There is a scope to explore western Mongolia's rich fossil-ore deposits. If plans to build gas pipelines from Russia to China via Mongolia are realised, the necessary energy and infrastructure conditions might exist to allow the Siberian regions and Russia as a whole to participate in the exploration of Mongolia's Altai raw-material deposits (<http://www.iiss.org/programmes/russia-eurasia/copyof-russian-regionalperspective-journal>).

### **Kazakh Diaspora from Mongolia**

Kazakhstan diaspora were living mostly Mongolian province of Bayan-Olegey Aymag. But after disintegration of USSR they are returning to Kazakhstan. The Republic of Kazakhstan Strategic Research Institute under the Republic President carried out in 1992 a survey for the purposes of investigating the Kazakh population of diaspora migrated to Eastern Kazakhstan. It was found Some 22.3 percent of heads of Kazakh families living in Mongolia would make Eastern Kazakhstan Oblast their new home where "Russian- speakers" are concentrated, 17.8 percent, Qaraghandy Oblast; 10.7 percent, Almaty Oblast; 7.0 percent, Almaty City; 9.0 percent Koshetaw Oblast; 5.6 percent, Qostanay Oblast. Only a very small part of them would migrate to Atyraw, Torghay, Qyzylorda, Aqtobe, and Aqmola oblasts. If the entire Kazakh population of Mongolia were to migrate, there is no question that this would lead to a radical change in the national demography of Kazakhstan. The reason is that the vast majority of them are large families. We must not forget that in nearly 60 percent of the families there are more than 3 children. The Kazakh diaspora coming from Mongolia is not only put pressure on demographic figure of Kazakhstan but also create ethnic tension in the Eastern Kazakhstan where Russian are majority (Buell 1993: 4, <http://userpage.fu-berlin.de/~corff/im/Lande skunde /kazakh>).

### **Ethno- Region problem in Xinjiang and Altai after disintegration of Soviet Union**

The appearance of five newly independence Central Asian states – after the disintegration of the Soviet Union had a profound impact on the Xinjiang province which share common border with – Tajikistan, Kyrgyzstan and Kazakhstan. The presence of a number of ethnic groups on both sides of the border creates lot of problems to all the above the countries.

**Table: Ethnic population of Central Asia, Xinjiang (thousands).1990.**

<i>Countries</i>	Kazakhstan	Kyrgyzstan	Tajikistan	Turkmenistan	Uzbekistan	Xinjiang
Kazakhstan	6,535	37	11	88	808	1107
Kyrgyzstan	14	2230	64	1	175	139.8
Tajikistan	25	34	3172	3	934	33.51
Turkmenistan	4	1	20	2537	122	-
Uzbekistan	332	550	1198	317	14,142	14.46
Russians	6228	917	388	334	14142	1446

*Source:* James P. Doria, Bret Wigodart and Dru Glandey, “Central Asia and Xinjiang , China ; Emerging Economic and Ethnic Relation”, Central Asian Survey,16(4),1997 : 466.

From the above mentioned table it can be easily inferred that in ethnic term there has been an close relationship between Xinjiang and the Central Asian republic of Kazakhstan, Kyrgyzstan and some extent Uzbekistan. Soon after independence, the Central Asian republic faced the problem of radicalism due to week economy and unstable political structure. The Uighur Islamic militancy got actively support from the radical fundamentalist forces from Central Asia. As a result of which Islamic radicalism also developed in Altain region also (ibid). So like any other multi- cultural Society, China and Kazakh also currently facing the problem of ethno-religious insurgency. To eliminating the menace of terrorism during the Almaty Summit of Shanghai all five countries except Uzbekistan in their declaration vowed to fight against international terrorism, arms smuggling and drugs trafficking.

The Socio-Cultural ethos of Altai reflect the high degree of diversity, the food they eat, the dress they wear and the language they speak have their regional stamp. This is due to different wave of migration to this region. The Kazakh follow the strong Islamic



culture, Chinese close to Xinjiang province are Muslims but the Russians are Christian and Shamanic. The multi ethnic society Altai forced Kazakhstan to follow a balanced foreign policy. The religion as well as ethnic factors in Altai Region is playing a key role to shape the neighbourly attitude of Kazakhstan towards Russia and China.

**CHAPTER- IV**  
**ENERGY AND ALTAI REGION**

**ENERGY AND ALTAI REGION**

From ancient to present century, Central Asia has been the center of attraction for scholars, religious missionaries, politicians, diplomats and people at large. But after the disintegration of USSR, the new Central Asian republics became a new great game of world politics. The main focus of the world power is the energy. After West Asia, the Central Asia became the new destination of energy security. That is why the major nations of the world are now eying on the Central Asian energy pool. At the same times energy resources is not only making the Central Asia economically viable but also bringing competition among the nations for accessing energy, which is a great concern for the security of Central Asia. Among the Central Asian states Kazakhstan is not only a large country in terms of area but also rich in the energy resources. Though Altai is not an energy rich area but it is matter of discussion about pipe lines. Pipe lines like Kazakhstan-China and Russia-China is passing through this area. As to this area is situated in between three countries, the security of the pipe lines is the issue of the major concern. Uygur terrorists of Xinjiang province are creating trouble for these gas pipelines. The Kazakhstan – China oil pipe line is China's first direct oil import pipeline. When fully completed the 3000 km (1900miles) long pipelines will run from Altai in Kazakhstan to Alashankou in China's Xinjiang Uyghur Autonomous Region. This is the only pipe line through which oil from Caspian basin to be supplied to China. But the secessionist forces of Uyghur are putting into duck both Kazakh and China. There is also another issue of controversy. The pipeline project is criticized by environmental organizations because its plan to run across the Ukok Plateau, which is the natural habitat of the snow leopard and other endangered species. Besides, Altai national leaders fear that laying the pipeline and accompanying technical highway will pave way for a Chinese expansion into Altai. The 2,700-kilometer Altai gas pipeline will be constructed from western Siberia to China's Xinjiang Province. This proposed pipeline will be constructed within the next five years with a estimated cost of \$10 billion. The pipeline will bisect the Altai Republic and pass over the fragile tundra and mountains of the Ukok Plateau. This pristine area is

recognized locally, nationally, and internationally as worthy of protection and has been designated a UNESCO World Heritage Site.

### **Energy Resources**

Kazakhstan owns large reserve of energy resources. Although Kazakhstan has not described itself as an energy superpower, the president Nursultan Nazarbayev has claimed Kazakhstan will become a factor of energy security in Asia and Europe (Alexander's Gas and Oil connection 2006). Kazakhstan has strategic geographical location to control oil and gas flow from Central Asia to China and West. It is estimated that around 30 billion barrel of crude oil reserves, which place it eleventh in the world (Asia Report 2007). The major oil fields are Karachaganak, Tenging, Kasgan and Kurmanganzy. Kazakhstan's domestic hydrocarbon reserves amount to 3.3-3.7 trillion cubic meters of gas of which 2.5 trillion cubic meter are proven (Yenikeyef 2008). The major natural gas fields are Karachaganak, Tengiz, Kashagan, Amangeidy, Zhanazhol, Urikhtau and Chinarevskoye (Alexander's Gas and oil connections 2005). Although Kazakhstan is a substantial producer of oil and gas, coal has dominated both energy production and consumption (International Energy Agency 1998). It has Central Asia's largest recoverable coal reserve with 34.5 billion tons of mostly anthracite and bituminous coal (US Energy Information Agency). In 2005 Kazakhstan was the 9th largest producer of coal in the world and 10th global exporter (International Energy Agency 2006). It is third in the world for uranium production in volumes and it owns the world's second biggest uranium reserve after Australia, (Dzhakishev 2004).

The main mineral resources of Altai include oil, natural gas and colorful metals such as Bauxite, gold, silver and chemical raw materials like antimony, asphalt, chromium, nickel, diamond, graphite, zinc, mercury, manganese and mica (Knof 1969). The mineral resources include Silver, gold, copper, platinum, tungsten, mercury, lead, zinc; cobalt, manganese, and iron have been discovered. Non-ore minerals such as marble, mica, granite, colored clays, and rock crystal, gold ore and molybdenum-tungsten deposits and beds of decorative stone and building materials are currently being

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developed. The main potential of these raw materials is still virtually unused (<http://www.kommersant.ru/> Kommersant Russian daily on line).

China's primary natural gas-producing regions are Sichuan Province in the southwest (Changqing Basin), Shaanxi Province (Ordos Basin), the Xinjiang Uyghur Autonomous Region and Qinghai in the northwest (Tarim, Chunger, and Caidamu Basins) produce about 65 percent of China's total gas output. New natural gas fields continue to be developed in the northwestern Tarim and Ordos Basins in Xinjiang. Natural gas output in Xinjiang reached 850 bcf in 2008 and is currently China's largest gas producing province. In particular, the Tarim Basin holds at least 35.3 trillion cubic feet proven natural gas reserves, half of China's total proven reserves and only 12 percent of the basin has been explored so far. However, the basin's complex geological features and far distance from China's main consumption centers make development costs relatively higher in the region. PetroChina's cross-country West-East Gas Pipeline, which spans 2,500 miles from the Xinjiang Uyghur Autonomous Region to Shanghai, has greatly expanded the upstream potential of the Tarim Basin to supply markets in eastern China (US Energy Information Administration).

### **Energy security and Kazakhstan Foreign Policy**

Energy security is defined as uninterrupted supply of oil to physical security of energy facilities. The scholars applied this notion to consuming countries. Despite divergence of definition to this notion, there is a common agreement that it involves both consumers and producer. As Daniel Yergin points out the simplest definition of energy security is "the availability of sufficient supplies at affordable prices" (Yergin 2005). The Saudis once defined energy security as "maintaining and enhancing access to where the oil exists in abundance" (Nazer 1989). The Bush administration's view is summed up in the title of its 2001 energy report, "Reliable, Affordable and environmentally sound" (White House 2001). An important aspect of defining energy security is in the realm of perception. Perception and psychological bias have been shown to generate varied levels of impact on decisions makers, their views of traditional energy markets, reliable

markets, reliability, markets speculation and need to protect against future loss (Kahneman & Tversky 1979).

We all know that the foreign policy of Kazakhstan is determined by a host of factors; namely the nature of regime in post Soviet state building process, government policy and investment of multinationals in oil and gas. However we have to determine the foreign policy of the country. The argument suggests that Kazakhstan has been following a multi vector foreign policy in strict relation to oil and gas contracts, given the determining influence of geopolitical and the pragmatism of the Kazakh leadership. As mentioned above, the multi-vector foreign policy of Kazakhstan is being pursued mainly to ensure energy security.

The last aspect of ensuing energy security of Kazakhstan is the diversification of pipe line routes. Kazakhstan has been specially frustrated by Russia for the transit of its oil and gas as the county has been dependent on Russia. Russia is exploiting it with oil export quotas imposed by the Russian pipelines monopoly and reluctant on the part of its government to expand the capacity of the CPC pipe line. This factor coupled with a projected increase in domestic oil output to 150 million tones in 2015, has compelled Kazakhstan to diversify its oil exports via alternative routes (Oxford Institute for Energy Studies, October 2006). Since Kazakh natural gas is a potential competitor with that of Russia, several new gas export pipelines from the Caspian Sea basin are also developing or under consideration potentially opening up new markets for Kazakh natural gas. A brief description of various gas and oil pipe lines follows.

### **Oil Pipe Lines**

Major oil export routes are the Caspian pipe lines consortium and the Atyrau Samara oil pipe lines to Russia, Kazakhstan china pipelines to china and Baku – Tbilisi pipelines for the export to the neighboring countries (Asia Report 2007). Among all pipelines, Kazakhstan China pipe lines which passes through Altai region is more important to China, Russia and Kazakhstan for geo strategic point of view. The

Kazakhstan – China oil pipe line is China's first direct oil import pipeline. When fully completed, the 3000 km (1900miles) long pipelines will run from Atrau in Kazakhstan to Alashankou in China's Xinjiang Uygur Autonomous Region. The pipe lines is being developed by China National Petroleum Corporation (CNPC) and the Kazakh oil company KazMunayGas (Xinhua 2006-7). The construction of pipeline was agreed between China and Kazakhstan in 1997 and the first section of pipelines was completed in 2003. Currently the flow along the pipelines is from East to West while the remaining section of the pipe line when completed will allow oil from the Kenkiyak field through the Caspian Pipeline Consortium. Once the third section is completed the flow will allow oil from the Caspian Basin to China (Peoples Daily on lines 2008). The Western Kazakhstan-Western China route presumed the construction of an oil pipe lines along the route of Atyrau-Kenkiyak-Kumkol-Druzhba and provides entry for Caspian oil into the market of China and other countries in the Asia – Pacific -region. The Kazakhstan-China pipeline from Atasu to Alashankou become the first pipelines export route in the CIS transporting oil and gas to China markets. The construction of pipelines is an example of successful bilateral cooperation between the two neighboring countries (Utegenov 2006).

Kazakh's other major crude oil export pipelines from Atyrau to Samara is a north - bound link to Russian distribution system. The project is being implemented on the basis of the inter-governmental agreement on oil transfer, signed between Russia and Kazakhstan in 2002. The operator of the Kazakh section will be the National Transportation Company KazTransOil (World Energy 2005). This line runs through the Russian territory is currently Kazakhstan's main outlet for export of liquid carbons. The 460km line runs from Bolshoi Chagan, to the port of Atyrau on the Caspian Sea (Alexander's Gas & Oil connection 2008)

### **Gas Pipe Lines**

Gazprom has started construction of the West Siberia-China pipeline in the Altai region. Altai government officials said Gazprom will invest 2 billion rubles to build supporting public utilities for the pipeline within five years. The pipeline link is part of an

\$11 billion Gazprom program involving two gas pipelines supplying China with 80 billion cubic meter of natural gas. A western pipeline, linking the western Siberian gas reserves to the Xinjiang region, where it will link up with China's West-East pipeline, will cover 2,800 km and have a designed production capacity of 30 billion cubic meters/second, eastern pipeline will connect to Heilongjiang province that will be supplied from Sakhalin Island. (Pipeline & Gas Journal, December 1, 2006). Gyrospetsgaz (ZAO, Joint-Stock company) upon request from Gazprom Department of Strategic Development prepared a declaration of intent for investment into construction of the Altai gas pipeline, which is planned to deliver gas from the fields in Siberia to the north-western regions of China. Starting point of the gas pipeline is suggested from "Purpeyskaya" compressor station of the existing Urengoi-Surgut-Chelyabinsk main pipeline. The terminal point in the Russian territory is the Kanas mountain pass at the western border of the Russian Federation (Altai Republic) and Xinjiang-Uyghur autonomous region in China (Pipeline & Gas Journal, December 1, 2006).

It has been observed earlier that the initial idea of the "Altai" gas pipeline construction was made public by Russia's President Vladimir Putin during his visit to China in March 2006. Since then Gazprom started, within very short time, to prepare the project design. The document obtained by Regnum was prepared by Joint-Stock company ZAO "Gyrospetsgaz"; it is the first document describing in full detail the stages of construction, route of the pipeline, environmental and technological solutions (Regnum, May 28, 2010. <http://www.regnum.ru/english>)

The Russian government began insisting in late July that gas from the Sakhalin-1 project must not be sold to China by its partners, including Exxon Mobil, but instead diverted to meet the growing demand in Russia's Far East provinces. Many observers were shocked by what they believed was yet another underhanded move by the Russian authorities to unilaterally break the existing contracts ([www.jamestown.org](http://www.jamestown.org)). The diversion of Sakhalin gas contract by China from Sakhalin-1 to the Russian Far East will undoubtedly upset the Chinese leadership - which appears to be frustrated by Russian behavior - and undermine the highly touted "Russian-Chinese strategic alliance" which



Putin has actively promoted. It is possible that a conflict over gas supplies in the Russian Far East might turn against Russia and improve Sino - U.S. Relations (Kupchinsky 2009).

The Local residents in the Altai, along with other national and international environmental groups, are continuing their efforts to ensure that the pipeline will not be built through the Ukok Plateau. It would damage the tundra as well as archaeological sites and sacred sites in the regions and the construction of road to China would open unchecked migration and illegal trade of timber and other goods including valued skin of endangered snow leopard and deer. Building the pipeline through the Ukok Plateau is inappropriate due to environmental, cultural, and social reasons. The better choice would be to reroute the pipeline outside of this irreplaceable region. (<http://www.Pacificenvironment.Org/section>).

### **Kazakhstan's Energy policy**

As a young sovereign state, Kazakhstan tries to conduct policy that makes it an equal partner among other countries of the world community. Rich deposits of oil and natural gas in the country and the Caspian Sea attract the interests of energy consuming states. At the same time, the landlocked position and weak infrastructure lead a more active foreign policy based on the energy factor. This chapter is an attempt to study the development of energy policy of Kazakhstan focusing on the country's relations with Russia and China. The complex geopolitical environment and relatively small and young economy of Kazakhstan emerges as the main reasons for conducting multi-vector and balanced foreign policy (Yesdauletova 2009 :31).

### **The first stage: Primacy of Russia**

In this first period Kazakhstan was closely connected to Russia. In the economic sphere both countries share common energy infrastructure that was constructed during Soviet period. The Atyrau-Samara pipeline was the only route through which Caspian oil could be transported abroad to Europe. The Central Asia-Center (CAC) gas pipeline has

been connecting with Turkmenistan, Uzbekistan, Kazakhstan and Russia for 40 years. In 2001 the new oil *Caspian Pipeline Consortium* was launched. Although three states (Russia, Kazakhstan and Oman) and eight companies divided the shares of the CPC, currently the largest share belongs to Russia. Even today oil is transported to Russia by land pipelines, while transportation to Europe bypasses Russian territory by going through the Caspian Sea with tankers. The former way is cheaper and more effective. In addition, Kazakhstan has the only export route (CAC), which carries natural gas to the European partner to Russia. However, due to its landlocked position in the center of the continent, Kazakhstan always needs to rely on the good will of its neighbors for transporting oil and gas (Paradowski 1999).

Secondly, Kazakhstan's seven oblasts (administrative districts) out of fourteen have a common border with Russia. Citizens of the two countries do not need a visa to cross the border, therefore, trade and cultural relations between them are strong and deep (Boonstra 2008). For Kazakhstan, Russia is an important partner in the political and economic fields. Energy is a sphere which demonstrates the interconnections and the interdependence between policy and economy. For both Russia and Kazakhstan, cooperation in the energy sphere is considered as the main feature of their foreign policy.

### **The second stage: The entry of the Chinese People's Republic**

China is a relatively new actor in Central Asia. In 1980s China was the main exporter of hydrocarbon in the East Asia region. But since 1993 the Chinese People's Republic has been an importer of oil and gas (Korzhanovski 2005). Nowadays China is the second consumer of energy in the world, right after the United States. It is generally considered that there are two levels to the Kazakhstan-Chinese relationship. The first is the bilateral level and the second concerns the relations within the frame of the Shanghai Cooperation Organization. Until recent years, the West and the European markets played a more important role in the energy trade for Kazakhstan as well as Russia. However, the eastern direction is gradually becoming the main export route to Kazakh and Russia (Gang 2005).

In 2004 during an official visit to China president, N. Nazarbayev signed an agreement on the construction of the pipeline Atasu-Alashankou. On December 15, 2005, it took place the ceremony for the opening of the first sector of this oil pipeline with a capacity of 20 million tonnes per year. Therefore, Kazakhstan is approaching its main goal of diversifying transit routes and attracting more foreign investments. While Baku-Tbilisi-Ceyhan passes through the territory of three separate countries and requires the transportation of oil through the Caspian Sea from port Aktau to port Baku with tankers, Atasu-Alashankou will go across the territory of one single country, Kazakhstan. Also this project does not have to go through conflict areas such as Nagorno-Karabachos or Turkish south-eastern districts. The disadvantage of Atasu-Alashankou for Kazakhstan is that it will be terminated on the Chinese border. Kazakhstan government would like to be involved in transporting oil to the eastern coast of China and further to the markets in South-Eastern Asia. On China's part, the main disadvantage is the long distance from Xinjiang in the north-west to the industrial consuming districts of China (Beijing Review 2004).

Every nations of the world are concerned about its energy security as to energy is the importance means for the development of a nation. All of us know that the foreign police of Kazakhstan is determined by many factors among the all factors oil and gas is the vital source to influence the foreign police of Kazakhstan. Kazakhstan's economy is mainly guided by oil and natural gas. It is a land locked region which needs to supply the oil and gas to its neighbours through pipe lines. China is a major market of Kazakh's oil. So Kazakhstan has to maintain good relations with Russia as Kazakh – China pipe lines passes through Altai. Kazakhstan has vast energy potential but lacks in the technological development. On the other hand the developed nations have technology but shortage of energy resources so both countries must have to interact with each other .That is why Kazakhstan keeps good relations with China, Russia, USA, EU etc. But chilling relations between China, Russia and USA not only putting Kazakhstan in a vacillating position and create a great concern about its security prospective. Kazakhstan has vast energy potential but lacks in the technological development. On the other hand the developed nations have technology but shortage of energy resources so both countries must have to

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**CHAPTER- V**  
**CONCLUSION**

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The Altai a small region, located in between Kazakhstan, Russia, Mongolia and China has increased its geopolitical importance due its geo-strategic location. Especially after the disintegration of USSR, Altai region become the bone of contention between Kazakhstan, China and Russia because of its geo-strategic location and mineral rich point of view. Here the geo-strategic importance of Altai is affected by its geographical position, natural resources and its soft security aspects like culture, language and religion.

The first hypothesis has been very well testified here that due geo-strategic location of Altai is gaining more prominence in the geopolitical map in the aftermath of the disintegration of the Soviet Union. The geopolitical vacuum provided an opportunity to external state actors to penetrate into this region. The issue of soft identity becomes another big challenge both for Kazakh, Russia and China. Ethnic, religious and linguistic issues are part of the social sphere which can create instability. Similarly, poverty, hunger, unemployment and unequal distribution of wealth are related to economic insecurity. Environmental issues are going to pose the biggest challenge to the regional states in the near future. Soft security and the porous border yet another problem in regard to Russia's relations with Kazakhstan is that the border between them is lacking the necessary infrastructure for border controls. The fact that the border has effectively been left open, the existence of a large number of circuitous routes through the mountains of Altai Region and absence of natural boundaries all facilitate the illegal (untaxed) export from Russia of strategically valuable raw materials and products. In addition, the transparent border allows narcotics originating in Kazakhstan and other parts of Central Asia to be imported into Russian territory.

The underlying cause of ethnic tension in Altai region is due to poverty, unemployment, and isolation. The multi-ethnic society of Altai is composed of various ethnic groups such as Kazakh, Russian and Chinese having different national identities is

another cause of ethnic tension. The Xinjiang Uyghur Muslim dominated province of China is close to the Altai region. The Islamic Uyghur terrorist groups in this province are creating the great threat to the security of China which forced it to meddle in the affairs of Altai region bordering to China. The geo-strategic location, pluralist culture, fluid central Asian political environment, and major powers presence in Central Asia forced Kazakhstan to pursue a multi-vector foreign policy. At the same time, Kazakhstan started an assertive foreign policy in order to suit the changing needs of the time and place.

The second hypothesis is also well testified here that due to its large landscape Kazakhstan is witnessing different types of regional development. The population structure and the existing level of natural resources are some of the factors responsible for these developments. This is necessary due to the fact that the oil sector is acting as the catalytic factor for augmenting the economic growth of area. But the areas which lie outside the oil and gas fields are facing lopsided development. Since 1992, Kazakhstan has actively pursued a programme of economic reform designed to establish a free market economy through privatization of state enterprises still the development process of eastern part of Kazakhstan is yet to take momentum.

The final hypothesis has been testified here that Altai Region is the large reservoir of energy resources. The main mineral resources of Altai include oil, natural gas and colorful metals such as bauxite, gold, silver and chemical raw materials like antimony, asphalt, chromium, nickel, diamond, graphite, zinc, mercury, manganese and mica. The mineral resources include silver, gold, and copper. The issue of oil pipe line is the major concern among Kazakh, Russia and China. Kazakhstan-China and Russia – China pipe lines have passed through this areas. As this area is situated in between three countries the security of the pipe lines are the major concerned. Uyghur terrorist of Xinjiang province are the major trouble shooter for the gas pipelines. The Kazakhstan – China oil pipe line is China's first direct oil import pipelines. When fully completed, the 3000 km (1900 miles) long pipelines will run from Atrau in Kazakhstan to Alashankou in China's Xinjiang Uyghur Autonomous Region. This is the only pipe line through which oil from

Caspian basin to be supplied to China. But the secessionist forces of Uyghur are putting into duck both Kazakh and China.

So Altai region is geo-strategically and economically important for Kazakhstan, Russia and China. It is a territory in which the interests of all the above countries are involved. It is an area through which the energy pipelines and Silk routes pass through. Due to starting of silk route diplomacy in the Central Asia, the importance of this area is gaining prominence. Uyghur terrorists are another area of concern for Kazakhstan, Russia and China. That is why all the above countries are giving importance to this region. So recently, geo-strategic importance of Altai region has increased.



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