A GEOPOLITICAL STUDY OF FORMER SOVIET CENTRAL ASIA

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CERTIFICATE

Certified that the Dissertation entitled " **A Geopolitical Study of Former Soviet Central Asia**" submitted by **Shaishav Yadav** in partial fulfilment of the requirements for the award of the Degree of **Master of Philosophy** has not been previously submitted for any other degree of this or of any other University. This is his bonafide work and may be placed before the examiners for evaluation.

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PREFACE

The present study is intended to analyse the geopolitics of the Central Asian region. The study concentrates on the issues related with the five newly indepenent countries viz Kazakhstan, Kyrgyzstan, Uzbekistan, Turkmenistan and Tajikistan. Attempt has been made to study how Central Asias Politics affects the world and how world politics affects Central Asia.

The introductory chapter discribes the Central Asian Regions's geopolitical importance in early times. It is followed by the discussion on current situation of the region, its alternative models for development etc.

The first chapter deals with the internal contradictions in the region. There are various issues that are threatening to the peace and goodwill in the region. They include ethnic problem, fundamentalism, economic disorganisation, border disputes etc.

The second chapter describes the countrywise distributions and present patterns of development of natural resources.

The third chapter deals with the interests of various powers in the region because of the abundant oil and gas resources. Russia, USA, China, Turkey and Iran are the key players vying to have access to the region's resources. The Caspean sea demarcation issue has recently become an issue of discord. This aspect has also been dealt with.

The fourth chapter discusses the pipeline politics. The five Central Asian states under study are land locked states and thus are unable to provide outlet to the oil and natural gas. Through which countries will the pipeline pass to a foreign seaport is a complex issue. The West Asian diplomacy (eg. US-Iran), the disturbed Afganistan because of Tabliban and the uncompromising attitude of Russia has complicated the problem. The multinational oil companies are reluctant to invest in the region because of the prevailing conditions.

Conclusion is an overall assessment of the earlier chapters.

CENTRAL ASIAN COUNTRIES

INTRODUCTION

The collapse of the Soviet system founded and based on communist ideology is unarguably one of the most astonishing geopolitical events of the century. For over seven decades, the world had become accustomed to the presence of a Soviet monolith, but suddenly independent states with unfamiliar names have emerged on to the political map of the world. Massive chunks of territory have been torn away from the largest political landmass in the world, leaving geopolitical confusion in their wake. Central Asia emerged as a factor in the security concerns in Asia at the end of 1991. This emergence itself was novel, coming as it did almost as if by accident and with the Republics assuming independence almost reluctantly[1].

Before analysing recent developments in Central Asia, it will be useful to clarify the geographic extent of Central Asia. Depending on the viewers orientation, there are varying perceptions of Central Asia. A minimalist approach seeks to restrict the region to an area between the Caspean Sea and the Tien Shan Mountains, encompassing mainly the ethnic Muslim majority areas. On the other hand, a maximalist interpretation attempts to include a region termed as 'Inner Asia', which is a larger area of nomadic civilisation that includes the frontiers of Russia and China, the Middle East as well as the north-western portions of India[2]. But while studying geopolitically, it is better to include a more wide area. It will reflect the influences prevailing in the area more correctly and will also explain how the developments in that area will affect the neighbourhood.

But in the case of Central Asia, its neighbouring countries and regions like West Asia, Russia, Central Europe and South Asia, all have a distinct geopolitical identity of their own. Thus, what remains, are the five Central Asian Republics of Turkmenistan, Uzbekistan, Tajikistan, Kyngyzstan and Kazakhstan[3]. This region is the area of study in the present work. These countries were part of the Union of Soviet Socialist Republic, but have become independent after the disintegration of Soviet Union.

The Central Asian Region, which has five states, became independent between June 20, 1990 and December 12, 1990. These were earlier part of Soviet Union. They are (i) Uzbekistan (June 20, 1990); (ii) Turkmenistan (August 22, 1990); (iii) Tajikistan (August 24, 1990) (iv) Kazakhstan (October 26, 1990); and (v) Kyrgyzstan (December 12, 1990).

A plethora of new successor states to the former USSR has emerged that has literally and figuratively changed the map of Asia. Its the impact on the surrounding region and world at large is just beginning to be felt. A minimum time of a decade will be required before the full effect of these events on the politics of world can be tentatively determined.

Not one of the new Central Asian states has yet been able to develop an understanding of the nature of its own national interest. Most of them have never before existed as independent modern states. The very concept of Uzbek, Turkoman, Kazakh : Kyrgyz or Tajik as the basis of statehood was entirely new under the Leninist policies, and was somewhat artificial since the essential elements of genuine sovereignity was almost totally denied to them during the whole period of Soviet empire. Although the independence of these countries has fulfiled their national aspirations, the basic fact is that independence came far earlier than anyone would have expected, and arguably faster than most would have wanted, forcing them to face a brand new world.

Thus the states of Central Asia are now trying to understand the most fundamental elements of statehood. What are their state borders and what do those bordens imply ? What is the cultural character of the new state? How permanent is the ethnic mixture of the state? Who are the allies, and who are likely rivals? What are the most immediate external and internal threats to their national existence? Considering the above mentioned facts, the new geopolitics of the region can be understood in three sections: the internal factors that will influence the policies of these new states; the likely new interrelationships of the new states among themselves and the impact of external players on the new states.

All the republics face a number of common problems with which they must deal jointly. They are in the form of ethno-nationalism, Islamic fundamentalism nuclear proliferation border and issues economic considerations. The most immediate ideological challenge perceived for Central Asia is the revival of Islamic fundamentalism. It has happened primarily because of the regions geographical closeness to Iran and Iran's interest in pushing its brand of radical Islam. Apart from religion, the ethnic composition of Central Asia, rich in its diversity, will be crucial in any assessment of the future stability of the region. Tajiks, Kazakhs and Uzbeks are the major ethnic groups in the region. The most immediate common problem is the lack of any Central Asian Control over the financial management. It causes severe difficulties upon their own economic independence. Other problems include coping with the extremely limited water resources of the region. In addition this is a region of immense hydrocarbon reserve (oil and natural gas). This has made it a prime target for commercial exploitation by rival and competing powers viz Russia, USA, China and a host of regional powers. These countries being landlocked countries share the common problem of providing outlet to seaport.

GEOGRAPHICAL PERSPECTIVE : WHAT IS CENTRAL ASIA ?

Central Asia refers to the territory covered by former Soviet Socialist Republics of Kazakhstan, Uzbekistan, Kyrgyzstan, Tajikizstan and Turkmenistan. Populated by about 60 million people, Central Asia extends over a vast area of approximately 4 million sq. km from the shores of the Caspean Sea on the west, to China in the east from Russia in the worth to Afghanistan and Iran in the South. In terms of physical geography, Central

Asia can described as "the island part of Asia, farthest removed from the world oceans, in the midst of greatest landmass on earth[4].

Geographically Central Asia is central to Eurasia. It is a zone of convergence of major geo-cultural regions of Eurasia with its security interactions covering both these continents. The boundaries of these states, drawn originally in mid 1920's by the Commissariat of Nationalities under Stalin are arbitrary and rarely coincide with any historic boundaries or with the linguistic boundaries. The location of Central Asia next to West Asia has kept Central Asia in a state of continuous turmoil and instability. And in the changed geo-political environment, it is not entirely unlikely that the Central Asian Region (CAR) may now be dragged into these conflicts. The actual natural resources of this region has not been ascertained with great accuracy as the geo-economic data is incomplete. Detailed survey and explorations are yet to be carried out.

To understand more fully the past Soviet position and the present Russian strategic emplacement in Central Asia, the substantial differences between the tradition of Western Cartographic projection on the one hand and the Russian one on the other should be clarified. For the last 400 years, the western view has been conditioned by the prevailing type of Cylindrical maps, derived from the 16th century Mercator projection of the earth. It produces considerable distortion in the higher latitudes above the equator i.e. those along which the Russian Eurasian Empire had expanded. However, since the Russians, while contemplating Central

Asia, are looking "down" from the north, an Azimuthal (polar) projection, would reflect more accurately their point of view[5].

A more distortion occurred in World War II. The delineation of Central Asia, South Asia, and the Middle East was deliberately confused for reasons of temporany military convenience as the British set up the "Middle East Command" with the headquarter in Cario, Egypt, lumping together countries of the Maghreb, Rabia proper, Iran, Persian Gulf, Turkey, Greece and Cyprus in the north, as well as Sudan and East Africa in the south[6]. But Russians have always considered Central Asia as part of the "Middle East" which as such formed the middle piece between the Near East and the Far East.

Turning to "geo-historcal" picture, the Heart-land theory of the remarkable British Geographer, Sir Halford Mackinder (1861-1947), which he first formulated in 1904, and subsequently modified in 1919 and 1943, and which exercised profound impact on strategic thinking worldwide must be singled out. In contradiction to the their fashionable doctrine of navalism, Mackinder predicted the accendancy of the new Central Asian Pivot Area, called by him the "Heart-Land". It was to be invulnerable to the direct application of sea power and therefore predistined to become the geographic basis of a future world dominion, either under an exclusive Russian control, or a Russo-German combination, or even usurped by the"Yellow Peril" provided China and Japan joined their energies.

The boundaries of Mackinders original Pivot Area of 1904 were primarily determined by its Arctic and interior river drainage, making it inaccessible to sea navigation and thus invulnerable to naval blockade. This obvious communication problem, however, was to be offset, in his bold prediction, by the rapid development of transcontinental railways in Central Asia, which was to follow the phenomenal example of the American midwest. This was to transform the steppe from an area of low economic yield into one of highest geostrategic potentiality in population, wheat, cotton, fuel and metals[6]. The coincidence between the unique geographical and cultural features of this vast region was so evident that Mackinder designated this Central Asian Region as "the Geographical Pivot of History".

CONCEPTUAL FRAMEWORK :

There are various reasons for studying the Central Asian states within a geopolitical framework.

The first and foremost is the obvious fact of geography. It is but a short distance from Turkmenistan to the border on Iran; Uzbeskistan and Kyrgystan border on Afghanistan; and Tashkent, Samarkand, Dushanbe, Bukhara and Almaty are closer to Kabul and Peshawar than to any Russian cities. Even putting aside cultural and religious ties, proximity alone ensures that development in one state will impinge upon others strife within any country in the region is likely to spill across the borders as refugees flee, as indeed has already been demonstrated in Tajikistan and

Afghanistan. The ecological disasters that have afflicted the Central Asian states are not confined by national boundaries. The need to develop workable schemes for access to scarce water resources, oil and gas pipelines, and building common routes to ports link these landlocked countries to one another and to their southern neighbours.

The second factor is that all five successor republics have historic, ethnolinguistic and religious ties to the 300 million people who reside in the four neighbouring Muslim countries of Afghanistan, Pakistan, Iran and Turkey. These ties, largely ruptured under Soviet rule, are in the process of being re-established, as much through the efforts of their neighbours as by the Central Asian states own inclination. Besides their common faith in Islam, there are many other ethnic and cultural basis for closer relations between the peoples of Central Asia and the populations of Turkey, Iran, Pakistan and Afghanistan.

The Tajiks are a Persian-speaking people with historic roots in Iranian culture. They have even closer ties to 4 million Tajiks in Afghanistan. The 2.5 million Turkomans have their ethnic brethren, in Iran and Afghanistan. Significant cultural, linguistic and religious ties exist also between some of the communities in the eastern parts of the Central Asian states and communities in China's Xinjiang province[8].

All of the major states in the region, including Turkey, Iran and Pakistan, as well as China, Saudi Arabia and India have taken an active interest in recent developments in Central Asia each seeking to promote its own cultural, political and economic interests, while being wary of intentions and initiatives of others. They have negotiated new trade agreements, expanded consular arrangements, and created cultural and academic exchanges. In the cases of Turkey and Iran, locked in rivalry for status as regional powers, their cómpetition has an important ideological dimension as well: a pro-western Turkey versus a radical anti-Western Iran with its revolutionary Islamic identity.

The third reason for analysing Central Asian developments within a geopolitical framework because each republic defines its own identity-seperately from or in common with one or more of its neighbours. It is likely to have significant ramifications for the geopolitics of the entire region Emphasis on separate ethno linguistic identities by Kazakhs, Tajiks, Uzbeks, Kyrgyzes and Turkomans can lead to both consolidation and conflict within states and between them.

VARIOUS MODELS :

When the Soviet state disintegrated and newly independent predominaltly Muslim states emerged in Central Asia, various models for understanding their role in international policies were put forward.

One model states that the peoples of Central Asia will be drawn to an Islamic identity, long suppressed by Soviet rule. It might take a militant anti-Western form and thereby increase the dominance of Iran in the region. 'This clash of civilisations between fundamentalist Islam and the west will attract other Muslims who although not drawn to fundamentalism, are antagonistic to the west. In this struggle, both the west and Russia, for different reasons, are handicapped, but Turkey as a state largely populated by secular minded Muslims is in a position to exercise influence upon the new states because of its linguistic and cultural affinities for the majority of the Central Asians and the desire of their urban elites to prevent the rise of militant Islam. According to this view, Turkey and Iran will compete for influence in Central Asia. This is a new version of the nineteenth century 'Great Game' model, with Turkey and Iran replacing Russia and Great Britain for influence in Central Asia.

This model was soon recognized as over simplistic, because it failed to recognize the differences between Islam in Central Asia and elsewhere in the Middle East. It also overlooks many significant differences among these republics with the respect to the nature, depth and impact of Islam on their national life and consciousness.

A new model has emerged. It points to the role that Russia can play in helping to stabalize the region. Developing as a response to the bloody ethnic conflicts in former Yugoslavia and political turmoil in Somalia, Sudan and elsewhere in Africa, this model stipulates that political order among the weak states in the Third World (to which Central Asia belongs) depends upon the willingness and capacity of regional superpowers to intervene. The USA has shown its unwillingness to intervene in regional conflicts or to intercede in internal civil conflicts unless its own interests are at stake or where it can be part of a collective action legitimised by the United Nations, NATO or other regional grouping. According to this view, the USA and the European powers have some stake on developments in Baltic states and in Ukraine, and possibly in nuclear – wielding Kazakhstan. Thus, according to this model it is best to permit and indeed encourage Russia to play an active role in mediating disputes within and between the Central Asian republics, even when it involves the exercise of military power, as it already has in Tajikistan.

A third model is aspired to by the states of the region, one which emphasizes their independent character and seeks to strengthen this independence through membership in a variety of regional groups, consisting of the five Central Asian states, Azenbaijan, Turkey, Iran, Afghanistan and Pakistan. The new states are eager for investments from the USA, Korea, Japan and Western Europe to enable them to diversify their economies and to reduce their dependence upon Russia.

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Chapter 1

INTRA-REGIONAL GEOPOLITICAL FACTORS

Dissolution of empires very often result in civil wars or regional conflicts in or among their successor states. The breaking of the Ottoman empire was followed by conflicts among the successor Arab states. Similarly, there was conflicts within the multi-ethnic successor states in the Balkan and Central Europe when the Hasburg empire (Austria-Hungary) disintegrated. In the post World War II period, when the European colonial powers withdrew from their overseas colonies, the colonies witnessed unstable condition and regional conflicts. When the British left the Indian sub-continent, there was bloody conflict in its two successor states viz India and Pakistan. When the African countries gained independence from the British, French and Portuguese, it was characterised by civil war, guerilla warfare, refugee flows and ruined economies.

The five diverse Muslim republics of Central Asia - Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan largely fit into this model of successor state to empire . The disintegration of the Soviet empire will cause massive problems. There are far too many areas of political dissonance that will need to be resolved[2]. Since Central Asia has a geographical proximity to Turkey, Iran, Afganistan, Pakistan, China and India, it is destined to play a crucial role in the regional geopolitics.

The present chapter analyses the present and emerging geopolitical scenario of the region caused by the internal factors.

Quest for Nationalism

The main problem in Central Asia today is the search for a new nationalism[1]. The government of the new countries are concentrating on the basic problems like preserving order, protecting its borders, meeting the daily needs of its population and to stay in power.

The critical issue facing the newly independent states in Central Asia is to determine the national character and identity of the new states. In the Soviet context, the centre periphery relations as a determinant of fostering cordiality among nationalities played its social part[2]. All the key internal policies were determined by Moscow; regional problems were also adjudicated by Moscow. But today the process of developing traditional nationalist aspirations is well under way in each republic as it seeks fulfilment of its nationalist aspirations. Till now these aspirations are largely formulated by a small elite, as is usually the case in the development of Third World Nationalism.

The people of these countries are not aware of the various aspects of modern nationalism but they are well aware of the existence of traditional tribal and ethnic differences. Each of the states contains numerous other nationalities apart from its titular nationality including Russian, other Central Asian nationalities, and nationalities from other parts of the former empire.

Only 73 percent of Uzbekistan's total population is Uzbek, while only 40 per cent of Kazakhastan's population is Kazakh. Russian and Kazakh population is almost at par in Kazakhstan. In every case the titular nationality almost invariably sees its interests as poised against the interests of all other nationalities within the republic, regardless of whether these nationalities are fellow Muslim or even Turkic. This will be a source of considerable ethnic conflict in the times ahead. The present official policy however, is silent on this issue.

The former communist leaders of each of the republics propagated nationalism as a cause of seperatism. But even now, the leaderships are still conservative regarding nationalism. In most cases the leadership is appropriately concerned that ethnic conflict may break out in the republics. In fact no national leadership in Central Asia today wishes to take on the complex nationalities problem at this juncture. It will most likely create internal friction, possible voilence and perhaps even military conflict with neighbours. It is likely that in future the nationalist forces will increasingly force its respective governments to make policies in the interests of the titular nationality of each republic. Then Kazakhs, Uzbeks, then Turkomans and others will make policies that will suit its interest in nationalist terms.

The concept of 'homeland' lies at the heart of the nationalist vision. There is only one homeland for the Kazakhs, Kyrgyz or Tajiks in which their national aspirations can be fulfilled. Unlike Russian, Chechens, Armenian who can go back to Russia Armenia and Chechenya. Where they are the titular nationality. Thus the titular nationalists in each republic are conscious of their own national movements. During the Soviet period the local culture and language was suppressed and had been denied opportunity for true flowering within national state. However as a part of divide and conquer policy the Soviet authorities did establish 'independent' national languages and was also encouraged it to develop. But Russian the official language.

Homeland and language are the strongest instrument of nationalism. Homeland and language policy in Central Asia is thus of major importance to the perpetuation of local nationalism and interests. Now that these countries are independent local language will be encouraged and developed by each state. It will definitely develop a national identity for all the five republics and the people may recognize themselves with language. But the growing sentiments of nationalism and the demand for policies that favour the titular nationality will increasingly alienate other nationalities that live in the republics[3].

There are also other forms of nationalism that are presently in nascent stage and are likely to develop.

Pan Islamic nationalism: It attempts to break the national barrier of the Soviet nations in order to unite all Muslims; but it stops at the Soviet frontiers in order to units all Muslims; but it stops at the Soviet frontiers and does not, as the pan denotes, extend to the whole world of Islam[4].

Religions Nationalism: It is an unfortunate expression for a nationalism because it treats its religious heritage as a necessary attribute. It can vary from the extreme of religious fundamentalism to stubbornly refusing to surrender to modernisation. The distinction between these two poles of nationalism is that at one extreme it requires Islam to play a political role as a nationalist force, and at the other end it is content with Islam as a cultural, and ideological presence in national life.

Ethnic Nationalism : It gives primary to ethnic ideas over the religious attributes. Hence it could be more secular and rabid. These weregroups most active in the numerous riots that have scarred Central Asia over the past few years. Ethnic nationalism is not concerned with Islamic fraternity as their fellow Muslims were the targets in most cases

Liberal Nationalism : It is distinguished from both the communist and pure ethnic nationalism. Its nationalism is tied to the territory. It is democratic, it prefers pluralist politics, but like the communists, it is firmly wedded to both secularism and multi-ethnicity[5]. The best representatives of this trend are found among the intelligentsia and has a nationally mixed composition and concerned about minorites. A good example is the 'Democratic Movement' of Uzbekistan led by Mussin Albert, the 'Democratic Party' of Tajikistan led by Shadmon Yusupov, the 'Zheltogsan' of Kazakhstan which has become the National Democratic Party headed by Amanzhol Nelabayev and Khosan Murzakhmetor, along with social Rennocratic Party of Kazakhstan set up by Kazakh and Russian intelligentsia in June 1990[6].

Communist Nationalism: Communists have lately turned nationalists, not only in Central Asia but everywhere in the former Soviet Union. These are very clear-cut and visible groups and they are in positions of power in the bureaucracy, in the academic establishment, and especially in management. Some products of communist nationalism are Nazarbayev in Kazakhstan, Saparmurad Nryazov in Turkmenistan and Islam Karimov in Uzbekistan. They are the strongest political and institutional force even today with a demonstrated capacity to win elections. Only in Tajikistan they are under serious threat from Islamic forces. Off late the communist nationals have countered the fundamentalism in the region and thus have helped to restore tranquility in the region.

ETHNICITY : A GEOPOLITICAL FACTOR

The ethnic composition of central Asia has been and will continue to be a dynamic factor in the Central Asian affairs. The ethnic problem of Central Asia assumed serious proportions in the past few years when violent inter-ethnic clashes affected Kazakhstan, Uzbekistan, Tajikistan and Kyrgystan. Various factors such as ethnic seclusion, nationalist and religious resurgence, growing unemployment, low productivity in farming and industry are responsible for the heightened inter ethnic tensions in Central Asia. The problem is further compounded by the complex ethnographic structure of the region. Uzbek, Turkmen, Tajik, Kazakhs and Kana Kalpitis inhabit definite territories where they form a predominant majority. This is the consequence of arbitrary geometric territorial demarcation of 1924 which redrew the map of Central Asia by creating seperate national republics and autonomous oblasts. The boundary of individual states, therefore were more administrative than historical. As a result of this, about one million Tajiks find themselves living in Uzbeskistan while the same number of Uzbeks reside now in Tajikistan. A unique situation exists in Kazakhstan where in the north west and central pants the Kazakhs are in minority. It will be increasingly difficult for multi-ethnic societies to resist the progress towards increases autonomy and independence for ethnic minority groups[7].

Substantial presence of settlers from European parts of Russia adds yet another dimension to the problem. The violent Russian-Kazakh, Kirghiz - Uzbek, Uzbek-Tajik and Uzbek - Meshkitian Turk clashes in Alma Ata, Osh, Dushanbe and Ferghana during the period since 1990 has made it clear that they are not wanted by the titular nationalities. Currently, about 14 million inhabitants of Central Asia are non-Asians, mainly Russians, Germans and Ukranians. They are urban dewllers, highly skilled worker and are Orthodox Christians. The non-Asians are in a majority in the Republic of Kazakhastan, where they are settled mainly in the northern half of the republic. In the Republic of Kyrgptan the non Asians form a quarter of the population. In the other three Central Asian States (CAS), the non Asians are an influential minority, though numerically far out numbered by the Asians. It is widely acknowledged throughout Central Asia today that during the period of Soviet rule, the non-Asian ethnic groups formed the ruling elite of the region. The surge of ethnic nationalism in Central Asia which followed the declarations of independence by the individual states has therefore targetted the non-Asian groups, in an attempt to wrest political power from them. The success of these attempts has varied from state to state depending on the demographic structure of the state Thus, in ethnic balanced Kazakhstan, Non Asians and Asians have been compelled to share Power, which in Uzbeskistan or even Tajikistan, the ascendaring of the Asian ethnic groups is already a fact.

Ethnicity depends to a large extent on its attributes of language, socio-cultural moores and religion. In Central Asia, the non Asian and Asian ethnic groups are set apart by all three. They are very easily identified and become soft targets when ethnic voilence flare.

Turkey played the ethnic card in order to make impressive economic and cultural headway in the region. Currently Turkey has emphasised its linguistic and socio-cultural bonds with the Central Asian States (CAS). Turkmen, Uzbek, Kazakh and Kirghiz belong to the Turkic language group. These ethnic groups also belong to the Turko-Mongol race. These also have same religious bonds with Turkey through sunni Islam. Turkey has made generous offers to assist Central Asian states in their development programme. Attempts were made to institutionalise its relations with these states by calling a summit of Turkic - speaking nations[8].

Iran has initiated its efforts to influence Central Asia through Tajikistan, the only Farsi/persian speaking state in the region. Tajik also belong to Iranian stock. Iran efforts to expand relations revolve around linguistic and socio-cultural bond. Its interest is amply reciprocated by the Tajiks.

RUSSIAN FACTOR

The presence of large number of Russians and Russian-speaking people in the region has attracted attention. It is estimated that over 25 million Russians are spread over in the new states of whom nearly 10 million the Russians and Russian speaking people are in Central Asia. The Russian speaking community is professionally skilled and resides in urban centres. In Khazakhstan has the highest number of Russians: they comprise 38 percent of Kazakhstans population since the break up of Soviet Union, a large number of Russians have migrated to Russia. Migration from Tajikistan is most pronounced because of the conflict situation there. Although the Central Asian government has promised to protest the Russians, they still face threat[9]. There has been exodus of Russian - speaking population for a variety of reasons. The declaration of Uzbek, Tajik, Kyrgyz, Kazakh and Turkmen languages as official languages in their respective states has also contributed to the exodus, Besides, there have been demands for reservation of jobs for indigenous ethnic groups to the exclusion of Slavs and other immigrants. The exoders, from Kyrgystan, has also been provoked by a discriminatory clause in a land law that was adopted as early as in April 1991. It stipulated that land in the republic Kyrgystan is the property of Kyrgyz President Akayev was able to have this law approved by the parliament. The citizenship law published in June 1992 ruled out double citizenship for the citizens of Kyrgystan and thus extinguished the hopes of those Slavs who wished to have such a benefit. A similar law was also passed in Turkmenistan as well. This alśo led to Russian exados. In Kyrgystan, a movement has been launched to encourage the immigration of Kyrgyz to this state so that they attain a population of at least 70 per cent in a short span of time. In Turkmenistan also a decree was issued on May 30, 1992 granting citizenship to all Turkmens who had left the state earlier. The bloody civil war in Tajikistan has resulted in thousands of deaths and an unprecedented exodus of Russian. Uzbek and even Tajik refugee. More than two lakh Russians have left in the last three years.

THE ISLAMIC THREAT

The revival of Islamic fundamentalism is the most immediate ideological challange perceived for Central Asia. This is primarily because of the regions geographical closeness to Iran. Iran is also interested in pushing its brand of radical Islam. Export of Islamic revolution became the official policy of Iran under Ayotallah Khomeini who had the ambition of becoming the supreme of the Muslim of the world. The victory of the fundamendalist forces in Afganistan after the overthrow of Najibullah regime in 1992 further increased the possibility of the emergence of a new bloc with the added participation of Pakistan, Iran and Turkey. Pakistan and Saudi Arabia have made energetic attempts to re-Islamise Central

Asia by aggressive export of Muslim ideology[10]. The struggle for Islam in Central Asia started in the mid 1980's when the republics first tried to obtain greater soverignity and independence. There is no doubt that an Islamic revival is under way in all the republics of Central Asia to one degree or another. Their presence is potentially a serious challenge to the countries since they tend to question the legitimacy of existing state governments and call for 'Islamic government' and Islamic morality in daily life. These are potential vehnicles of popular national dissatisfaction. This dissatisfaction is most likely to spring from either deteriorating economic conditions, serious inter ethnic conflict or in conditions of government repression of the people.

There is, however, little chance that Islam would become a common denominator to unify Central Asia into a homogenous unit. Islamic world is divided between the Iranian and the Saudi models. Most Central Asian Muslims are also ignorant about the sectarianism which divides Islam, sometimes much more sharply than the difference between Islam and non-Islam. If Islamic factor becomes a reality, then despite their common ethnic identity Muslims will be divided on sectarian lines of majority Sunnis and Shias. Islamic fundamentalism will not be tolerated by the reformist Central Asian intellectuals who still beleive in Jadidism which has always talked about improving and modernising the Islamic tradition[11].

Central Asia has always had a peripheral status. Even though the percentage of Islamic population is high, their intensity of faith in Islam varies from place to place. Much disparity exists between one state and another. In Kazakhstan and Kirghistan, Islam plays a less dominant role in social life than in Uzbekistan and Tajikistan. There is no doubt that Islam has regained its importance in Central Asia and there is nothing wrong if Islam is developed in a cultural sense. But Islam as a political model probably won't be applicable to Central Asians. This is due to the fact that they belong to different socio-economic background.

Contrary to the expectation, Iran has acted in a pragmatic way while dealing with Central Asian states. Although Iran has cultural affinity with Tajikistan, Iran has carefully avoided its support to Tajik opposition. Except in Tajikistan, Iranian effort has been hampered by linguistic and ethnic problems. Iran has its own problems, as well as its international isolation limits its scope to become the patron of Central Asian States.

Considering these factors, it appears that the threat of Islamic fundamentalism in Central Asia is highly exaggerated. There is a strong rivalry among Islamic states to introduce their brand of Islam in Central Asia. This will itself prevent them from turning into a cohesive Islamic society. Even otherwise, the relationships among the Central Asian Islamic sect are complicated by different cultural and tribal backgrounds. Clans and sub-clans are more important to Central Asian than politics or religion. Wahhabism, brand of Islam is giving strength in Central Asia. It is hostile both towards the Shias and Sunnis. Islam is also not homogeneously strong in all parts of Central Asia. Almost half of Kazakhstan's population is non-Kazakh and this is the greatest impediment to Islamic fundamentalism. The majority of nomadic population still has pre Islamic beliefs.

ECONOMIC INTEGRATION AND REFORM

Central Asian Republics will have to reorient its economic structure to face the world. 'The biggest problem of CAR is not a relatively low per capita GNP but a highly unbalanced structure of their economies. They are heavily reliant on Russia as its principal market and main support of industrial commodities and technologies. Moreover, economies of these Republics need diversification because now-a-day each of them is heavily dependent on production of a limited number of commodities et. Uzbeskistan on raw cotton, Kazakhstan on grain and non-ferrous metals, Turkmenin on oil and natural gas etc.

Today, urgent and radical rethinking of the economic requirements of each state is required. These economic requirements may provide positive stimuli for regional co-operation. Economic development is intimately and inevitably linked with issues of economic reform liberalisation and privatisation.

NATURAL RESOURCES

The Central Asian countries are endowed with vast untapped reserve of natural resources Chief among these are the energy resources - oil, natural gas, water power potential and coal. This now makes Central Asia one of the most promising regions in the world for oil companies seeking foreign investment opportunities. Various countries like USA, Turkey, Russia, China are trying to gain access to the energy reserves, but the regions complex political configuration has so far not allowed any single country to emphatically entire any of the Central Asian countries However, efforts are on to influence the Central Asian countries, and this adds a new dimension to the geopolitical significance of the region.

The above mentioned internal factors have a direct bearing on the conduct of external relations by the states involved. These factors of uncertainty render the determination of national interests and foreign policy difficult, especially in the absence of long-evolved and well-understood political relations among the modern states.

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Chapter II

NATURAL RESOURCES OF CENTRAL ASIA

Energy resources in the Central Asian Region are concentrated mainly in the Turkmenistan and Kyrgyzstan. Other countries in the region does not have much energy reserves. But still they are also involved in the politics over the energy resource going on in the region

. Streching over a vast area, the Central Asian Region is one of the largest unexploited source of oil in the world Proven and possible reserves are estimated to be as high as 200 billion barrels, putting the region on a par with Iraq. In addition, the area is rich in natural gas with estimated proven and possible resource of upto 7.89 trillion cubic meters - as much as those of the US and Mexico combined together.

There is emphasis on developing and exploiting the Central Asian regions oil and gas resources because - First, the margin between world oil production capacity and world demand is projected to decrease in the next decade. It will lead to greater dependence on the Persian Gulf[1]. Therefore, Central Asian oil could offer an important alternative to the Persian Gulf by diversifying supply. Secondly, oil is a powerful geo-strategic tool and it offers the region's states to exploit their best opportunity for true independence in 70 years. Lastly with a possible 90-200 billion barrels, the potential for national and commercial profit to the Central Asian countries is substantial if they exploit these resources.

DISTRIBUTION OF ENERGY RESOURCES

This chapter focuses on the distribution, production demand and trend of energy resources in the Central Asian states.

OIL

Russia was the major producer in USSR. But after the disintegrated the bulk of non-Russian output came from Kazakhstan, with a much smaller contribution from Uzbekistan, Turkmenistan, Kyrgyzstan and Tajikistan. There was decline in oil production in the Central Asian states immediately after independence as the region lost much of its traditional mark.

Kazakhstan:

In Kazakhstan, the second largest oil producing republic after the Russian Federation, oil production has been slowly rising in the republic since 1980 with the ongoing development of the North caspean field. Keeping with the trend, 1992 also saw an increase, as the petroleum production apparently increased by 3.4 per cent to 27.5 million tonnes[2].

This increase in production reflects a change in operations at the Karachaganak field which is Kazakhstan's major source of oil condensate. The British Gas and Agip has successfully taken the tender of the field[3]. Karachaganak is a Kazakh extension of the Otenburg gas field in Russia. It was discovered in 1979 and began to yield natural gas and condensate

Table 1. Geographical Distribution of Oil productionin the former USSR and the Central Asian Countries. (million metric tons per year)

Countries	1980	1990	1991	1992
Kazakhstan	18.7	25.8	26.6	27.5
Turkmenistan	8.0	5.6	5.4	5.3
Uzbekistan	1.3	2.8	2.8	3.1
Kyrgyzstan	0.2	0.2	0.1	0.1
Tazikistan	0.2	0.2	0.1	0.1

Source : Matthew J, Sagers "The energy industry in former USSR : A mid year survey in late 1984. it is expected that at peak output, Karachaganak is going to yield 10.5 BCM of gas and 10 million tonnes of condensate annually[4].

This compares with about 4.5 BCM annually now and between 3-4 million tonnes of condensate.

The Tengiz field in the northwestern corner of Kazakhstan on the opposite side of the North Caspean Basin from Karachaganak is another important oil producing region of Kazakhstan. The Tengiz field is estimated to contain more than 3.3 billion tonnes of oil, of which about 1 billion tons is commercially extractable. Although the reservs here are large the crude lies very deep (4,500 - 5,500 meters) at extremely high presured in fractured limestone. It is highly sulfurous and the technical challanges to its development led to the former Soviet governments decision to open the area to foreign investment in 1990[5].

The other major development in last two year in Kazakhstan has been the development of Kumkol fied in Qyzylorda (Kzyl-Orda) Oblast (Turgay Depress which yielded its first oil at the end of 1989. The local production association (Yuzhkazneftegaz) that operates the field produced 1.3 million tonnes in 1992[6].

Despite the development of these new producing areas, the largest output still comes from the older producing areas on the Mangyshalk and Buzachi Peninsulas : these two areas together produce about 20 million tonnes. The older Mangyshlak fields produce around 10 million tons, while the more recently developed Buzachi fields evidently now produce about the same amount. The two largest of the Buzachi fields are Karazhanabas and Kalamkas; these two fields together produce 25 percent of all the oil produced in Kazakhstan[7].

The exploration efforts in 1992 led to discovery of several new fields. These include the one near the Baykonur cosmodrome in Qyzlorda (Kyzl - Orda) oblast[8]. Three small fields were found found previously in this area of the Turgay Depression. In the North Caspean Depression, which contains the bulk of Kazakhstans hydrocarbons, a new gas condensate field was discovered known as Eastern Mantuk in the Temir Rayon of Aktyubinsk Oblast[9]. In an entirely new propective area, in the eastern part of Kazakhstan, a new oilfield was discovered near Irtysh River in the Zaysan Depression[10].

Because of the size of its hydrocarbon wealth, in combination with its underdeveloped technological capability, Kazakhstan's long term oil and gas programme calls for a substantial role of foreign companies. Kazakhstan has already signed contracts with more than 40 foreign companies from 17 different. This includes Tengiz (with Chevron); Karachaganak (with Agip and British gas); as well as pipeline and refinery projects. Besides these large projects there are also seven small joint ventures that are operating in the republic. The American company OOC is carrying out one project at the Dunga field. Oman is also currently investing in oil exploration at a field in Western Kazakhstan[11].

Oil Industry Statistics of Russia and Central Asia (thous. barrels/day)

		Year						
Country	Category	1990	1991	1992	1993	1994	1995	1996
Russia	Production	10324	9222	7916	6908	6600	6200	7150
	Demand	5016	4924	4222	3450	3150	3150	3700
	Export	5408	4534	3694	3500	3950	n/a	n/a
	Import	5408	4534	3694	3500	3950	n/a	n/a
	Balance	5308	4298	3694	3458	3450	3050	3950
Kazakhstan	Production	516	532	516	460	450	600	850
	Demand	n/a	410	350	280	n/a	400	500
	Export	n/a	411	350	379	n/a	n/a	n/a
	Import	n/a	n/a	231	160	240	n/a	n/a
	Balance	n/a	122	166	180	n/a	200	350
Kyrgyzstan	Production	3	3	2	2	n/a	0	0
	Demand	n/a	55	55	n/a	n/a	50	100
	Export	3	3	2	2	n/a	0	0
	Import	n/a	55	55	12	n/a	n/a	n/a
	Balance	n/a	-52	-52	n/a	n/a	-50	-100
Turkmenistan	Production	112	108	104	88	n/a	100	250
	Demand	n/a	200	130	92	n/a	100	100
	Export	n/a	0	5	31.5	n/a	n/a	n/a
	Import	n/a	n/a	26	6	n/a	n/a	n/a
	Balance	n/a	-92	-26	-4	n/a	0	150
Uzbekistan	Production	56	56	66	80	n/a	100	250
	Demand	n/a	205	180	170	n/a	200	200
	Export	n/a	0	0	16.7	n/a	n/a	n/a
	Import	n/a	n/a	82	87	n/a	n/a	n/a
	Balance	n/a	-149	-114	-90	n/a	-100	50
Tajikistan	Production	3	2	2	1	n/a	0	0
	Demand	n/a	50	n/a	n/a	n/a	50	100
	Export	3	2	2	1	n/a	0	0
	Import	n/a	48	0	0	n/a	n/a	n/a
	Balance	n/a	-48	n/a	0	n/a	-50	-100

n/a = data not available

Turkmenistan :

The production continued its slow decline, falling to 5.3 million tonnes in 1992. Turkmen output is mainly from the fields on the Cheleken Peninsula such as Nebit Dag and Kotur - Tepe, although there are some large gas field in the eastern part of the republic. During 1992, the local oil producing association Turkmenneft made several promising discoveries in a new area in the Central part of the republic. These are the Kyrk - Geyazlinsk oye oil and gas condensate deposits located 80-100 kms to the southwest of Ashgabat[12]. Turkmen government is also looking for foreign assistance in its hopes to revive oil production. It ran several tenders for development rights during the year. Contracts were conclude with Argentinas Bridas company to operate and further develop the Kotur-Tepe field; while a Dutch oil company (Lanmag Energy) and Noble Dwiling of the US will develop several of Turkmenistan's offshore deposits. Another contract was condluded with Eastpak of the United Arab Emirates. In early 1992, Turkenistan reached several oil agreements with neighboring Iran[13]. Iran has agreed to sell Turkmenistan oil to run the new Seidi refinery.

Uzbekistan

Crude production in Uzbekistan rose by a surprisingly increasing trend in early 1990's. The republic has been undergoing a modest expansion in production during the last few years, as it has tapped a new producing area in Karshi Steppe Uzbekistan has opened a new Kuvachi field on March 28, 1993. It comprises of 18 drilling platforms spread over

Table 2. Petroleum Refining in the fomer USSR and Central Asian Countries in 1991 - 1992. (Primary refinery throuput, million tons)

Countries	1991	1992	% change
Kazakhstan	18.0	16.9	6.1
Turkmenistan	7.1	6.1	14.1
Uzbekistan	7.9	7.2	8.9
Kyrgyzstan	-	-	-
Tazikistan	-	-	-

an area of 343 square kilometers[14]. Uzbekistan's oil industry also is drilling deeper in the older producing areas such as the Fergana valley, in the search for more oil, striking a gasper at the Min-Bulak field in Namangan oblast.

While initially Uzbekistan had indicated its desire to develop its oil industry largely on its own, the government has now decided to actively solicit foreign investment to its oil sector. This probably reflects the now stated desire of the government to double the level of oil production over the next five years[15].

Refineries:

For the refineries, the period immediately after independence were difficult years because the oil production had slumped. All the republics experienced a decline (-6.1 percent for Kazakhstan -14.1 percent for Turkmenistan and -8.9 percent for Uzbekistan) in crude oil production. The republics overall programme to overcome the crisis in the energy sector includes special purpose sub programmes for the modernisation of oil refineries. A very ambitions programme has been established for Kazakhstan's refining industry that includes not only a dramatic expansion in capacity from the current 18 million tonnes to 40 million tonnes by the year 2000, but also overall modernisation of the existing refineries and an entire series of new secondary units. The programme is to be financed by crude exports[16].

In Turkmenistan, the world Bank has agreed to finance the reconstruction of the Krasnovodsk refinery (capacity of around 7 million tonnes). The reconstruction is expected to take about five years to complete[17].

NATURAL GAS

Production of Natural Gas in the Central Asian Republics declined for the second year in 1992 still the gas industry is not in as much disarray as the oil industry. Turkmenistan has the largest reserves have 2.72 trillion cubic meters. The bulk of the remaining official reserves are found in Kazakhstan (1.83 trillion cubic meters)and Uzbekistan (1.82 trillion cubic meters.

In Turkmenistan, the largest producing republic in Central Asia, gas output experienced a precipitous decline in 1992, falling by 28.7 percent from 84.3 BCM to 60.1 BCM. The principal factor for the decline was the loss of much of its traditional export market in the other former Soviet republics, mainly in Ukraine and Kazakhstan.

The main gas-producing fields in the eastern part of the republic have peaked, and little provision was made in the past to prepare some of the newer, smaller fields for exploitation to offset this. A new gas field (Gagarin gas field) is being prepared for production; it is located in the north eastern part of the republic[18]. The decline in production of Turkmenistan gas has been because of its clash of economic interest with Russia and Ukraine. Therefore Turkmenistan is planning to retain its

Table 3. Geographical Distribution of Gas productionin the former USSR and the Central Asian Countries. (billion cubic meters)

Countries	1980	1985	1990	1992
Kazakhstan	4.3	5.5	7.1	8.8
Turkmenistan	70.5	83.2	87.8	60.1
Uzbekistan	34.8	34.6	40.8	42.8
Kyrgyzstan	0.1	0.2	0.2	0.1
Tazikistan	0.2	0.4	0.1	0.1

Source : Matthew J, Sagers "The energy industry in former USSR : A mid year survey market in the former Soviet republics as well as maintaining its exports abroad and its own consumption. In this case production could rebound to around 75 BCM[19].

Uzbekistan: It is the second largest gas producing country in Central Asia gas production continued to rise after its independence, growing by 2.1 percent to 42.8 BCM. This is associated with the development of the deeper, high-sulphur deposits in the southern part of the republic. Exploration has also been expanded to the area west of the Aral Sea in the last few years. The new Murin field yielded its first gas in early 1990.

Kazakhstan : Gas output apparently rose quite strongly in Kazakhstan in 1992 to 8.8 BCM. The increase in gas production is because of the Kazakh governments decision to develop its own resources. It thus eliminated the large amount of gas imports coming mainly from Turkmenistan.

Kazakhstan has adopted a programme known as "Gaz" which envisions the development of two major gas deposits on Mangistavz oblast[20]. The aim is to free Kazakhstan from Turkmenia gas imports entirely within three years time. Kazakhstan, plans to increase natural gas production to 22 BCM by 2000.

Kazakhstan's main gas field is Karachaganak, which yields about 4.5 BCM per year. It is located in Aksay on the northern border with Russia. The field was discovered in 1979 and production began in 1984. The gas lies fairly deep at 4000-5000 meters, with some wells sunk as deep as 5760 meters[21]. Because of the difficulty of working the field, the

Kazakhstan government organised an international tender for the rights to explore and develop Karachaganak, with the winning consortium being British Gas and Agip.

The most contentions issue regarding natural gas is its transportation Export transit for Central Asian countries gas over other countries territory continues to be an issue despite on inter government agreement on gas transit concluded in 1992.

WATER RESOURCE AND HYDROELECTRIC POTENTIAL

Once lying entirely within the borders of the USSR, the Aral Sea Basin of Central Asia now extends across areas that are included within the newly independent republics of Turkmenistan, Uzbekistan, Tajikistan Kyrgystan, two southern provinces of Kazakhstan and parts of northern Afganistan and north eastern Iran[22].

The basins population is over 32 million and occupies approximately 1.5 million square kilometres of territory.

Central Asia experiences hot summers and cool to cold winters. Precipitation varies from 100 mm per year in the deserts to 300 mm or more per year in the foothills of the mountains to the south and east. Only through diversions of water from the Syr Darya, Amu Darya and Zeravshan rivers and their tributaries is enough water available for agricultural, industrial and personal uses through out most of Central Asia.

The Syo Darya, Amu Darya and Zeravshan rivers are fed by seasonal snow and ice melt from high mountain areas in their respective

Table 4. Water used Central Asian Countries, 1990
(million cubic meters)

Countries	Total water withdrawn	% of total	Total water consumed	% lost in transit	Percentage consumed by		
					Irrigatiaon	Industry	Personal
Turkmenistan	22,641	20	19,797	13	88	11	1
Uzbekistan	69,012	59	52,413	24	83	13	4
Kyrgyzstan	10,883	9	8,993	17	90	7	3
Tazikistan	13,656	12	12,044	12	88	5	4
Total	116,192	100	93,247	20	86	11	3

drainage basins to the south and east. The Syr Darya and Amu Darya flow out of the Tyan Shan and Pamir mountains respectively, northward through their alluvial valleys onto the flat expanse of the Karakum and Kyzl Kum deserts before forming deltas where there energy dissipitas upon emptying into the Aral sea[23]. Mean annual natural volume of flow of the Amu Darya is roughly three that of the Syr Darya. The Zeravshan begins in the high Pamirs of northeastern Tajikistan, and flows through high mountain valleys before entering the flat plains of the eastern Samarqand province.

Although some attention has been paid to the conflict caused by the scarcity of fossil fuels, little has been said of water. The newly independent republics of Central Asia share a relatively abundant but very unevenly distributed water supply in an arid environment. Much less water is consumed by the upstream republics of Kyrgyzstan and Tajikistan than their downstream counter parts. With a population around twice that of its neighbour, Uzbekistan alone uses three-fifths of regional water supplies. What makes the region unique is the fact that the republics recent independence means that they have just started the process of developing indigenous water management institutions and are weighing various options[24].

HYDROELECTRIC POWER DEVELOPMENT :

Few hydro electric projects to have been completed since the countries gained independence. A hydroelectric project was completed in 1992 in Kyrgyzstan. The first generating unit station was in Shamaldy -

Say station. This unit of 80 MW went into operation in June 1992[25]. It is located on the lower Naryn River in Dzhalabag oblast and is the fifth of the lower Naryn hydro projects. Kyrgyzstan reached on agreement to sell electric stations to China. In a project involving international collaboration, Kyrgyzstan and the multi-national company General Electric announced the signing of a preliminary agreement to construct a hydro electric station on southern Naryn River[26].

An agreement has also been signed between China and Kazakhstan to construct a hydroelectric station on the Korgas River. Construction was started in 1994. In Tajikistan, construction of the Rogun station has been halted indefinitely by the Tajik government because of lack of money for financing construction. Environmental opposition to the station has also been going on in recent years. However construction has started on the Sangtuda station on the Vakhsh river. It will be the third station on the river.

COAL

Apart from Kazakhstan, the new Central Asian Republics don't boast of vast reserves of coal. The coal production in Kazakhstan declined immediately after it gained independence.

Some thermal power projects are under construction in Kazakhstan and Uzbekistan. Uzbekistan has completed the construction work of the first unit of Talimardzhan in the Kashkadarya oblast. This is an 800 MW unit. The station which is stated to include four 800 MW units, has been under construction since the late 1980's in the new town of Nuristan Uzbekistan probably will need the additional capacity as three of the six units were put out of operation by a fire at the oil pump.

Coal is not an important geopolitical commodity in the region like oil and natural gas.

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CHAPTER III

ENERGY, ECONOMICS AND SECURITY IN CENTRAL ASIA

When the five new states emerged in Central Asia with the disintegration of Soviet Union, it was openly presumed that these largely Muslim republics would inevitably soon come under Iranian and fundamendalist influence. This view was utterly unfounded and based on a superficial and wrongheaded reading of the area[1]. Against the expectations, a complex multifaceted international rivalry has developedto influence and control Central Asia's trade and resources, (especially Kazakhstan's and Turkmenistan's oil and gas). The main players are Russia, Iran, Turkey, China, India, Pakistan, the United States. Although the oil companies Israel and Saudi Arabia, though present, play a lesser role[2].

Russia has made sustained effort to subordinate Central Asia's states and its policies and also aims to reduce their independence. But to counter Russians policy, these states interact vigorously with the powers who have regional influence. Central Asian states are not mere helpless objects of external mechinations that US elites and experts had postulated. Rather, they act to enhance their ability to interact freely with all the states playing a role in Central Asia despite Russian policy[3]. The present chapter deals, with this international rivalry since Moscow openly employs economic pressure and threats of coercion in energy policy. Energy and related economic sectors are the most prominent aspects of this new rivalry

The struggle over energy resources can be studied in the broader context of foreign states efforts to influence Central Asia's economic and political global integration. Obviously control over economics translate into political influence.

In its 1994 Russian National Security Concept, the journal Observer stated that the entire agenda of current security issues boiled down to two issues, the supply of Russian fuel and raw materials to other members of the CIS, and the combat involvement of Russian troops in conflicts within the former Soviet borders[4]. Thus it made the link between energy and security explicit. The journal noted that all CIS members increasingly depended on restoring foreign trade with Russia especially in energy. This dependence is however not by choice but by compulsion.

A fundamental problem for the trade of oil and gas from the Central Asian Countries is that these are landlocked state and are far from the major world trade routes. If they are to trade abroad on their own, they must invest massive amounts of capital in transportation, infrastructure etc. Those sums are beyond their means and the current existing transport system all traverse Russia as Soviet planners planned regional dependence on Moscow. Central Asia, as a whole faces desperate and worsening economic demographic and ecological problems[5]. Hence the investment in transportation and infrastructure must come from abroad. Thus begins the fight for trade and oil. The revenues from oil are such that it can finance investments, modernise and diversify the local economies. Formerly, control over transportation systems has been a prerequisite for control of Central Asia[6]. In the present situation whoever controls trade and pipeline routes for goods and oil will decide the regions economic and political destiny. In this context, Russias energy policies are dangerous to Central Asia. Russia to cite Washington Post, is blackmailing Kazakhstan and Turkmenistan regarding energy exploration and transshipment and holding them 'hostage'.

The new geopolitical situation is complex and is further complicated by a vast array of problems. Within the region, these include intra-regional conflicts, internal political instability, unscuruplous entrepreneurial operators and a shortfall in commercial expertise and legal infrastructures. Beyond the region lie the threats of competing neighbours. Kazakhstan and Turkmenistan which share the majority of the regions energy deposits, are landlocked and, therefore, dependent on their immediate neighbours for export. This makes them vulnerable to their neighbour's problems and, sometimes, to becoming a pawn in the rivalry of the larger powers adjacent to Central Asia.

There is thus no doubt that the region has regained its strategic importance in a totally different framework. Since 1994, United States and the international consortium of western oil companies have started to shift their focus away from the Persian Gulf to the Central Asian and Caspean Sea region. The region around Greater Caspean Sea contains somewhere between 90 billion and 200 billion barrel of oil and 46 percent of world's gas reserves. The geopolitical considerations are becoming crucial factors in winning contracts and routing gas and oil pipelines. The increasing western interest to exploit the oil and gas deposits in the region has challanged Russia's claims in the region where it traditionally had influence. The entry of multinational companies is changing both the economics and political dynamics in the region.

The hydro carbon deposits, are a great source of hope in economic and political terms for these states, particularly when they are in the infant stage of the nation building process. The oil revenues in some states may result in widening the economic disparity between the states within, as well as outside the region, and hence, oil could become a cause for insecurity among the Central Asians. In such a situation, it is natural that the smaller states will try to seek a security guarantee from outside which may then lead to large scale outside intervention. The potential mileage that the bigger states obtain by oil will enable them to aggressively pursue their geo-political goals, in the region thereby, excerbate the existing inter-state and inter-ethnic conflicts. The pipelines could contribute to peaceful developments but they could as well turn into future conflict lines. The security consideration have already become important. The North Atlantic Treaty Organisation (NATO's) proposed eastward expansion, the effort by the US and the Europeans to resolve the conflicts in the region within the frame of Organisation for Security and Cooperation in Europe (OSCE or NATO's) "Partnership for Peace" (PFP) Programme are linked to the geopolitics of oil[7]. Oil used as a weapon is confined not only to the oil exporting countries but also to the states through which this oil passes. The recently held military exercise, Centraxbat-97, in which 500 paratroopers from the 82nd Airborne Division of the US Army flew 19 hours and 12,320 km to join week-long joint exercises with 40 airborne troops from three Central Asian states, demonstrated the changing geo-political game in Central Asia. Although the exercise, an unprecedented event in the post-Cold war era was meant to be against the potential rival countries to the south-China, Iran and the Islamic threat from Afghanistan it also had close linkage with oil politics[8].

The Caucasus and the Central Asian region has historically enjoyed considerable geo-strategic importance as regards oil production. The geopolitical factors affecting oil development exploration and export in this region include: (i) the political interests and policies of external parties (Russia, Turkey Iran, China, Pakistan, US along with other developed countries and the multinational oil companies).

(ii) the Caspean Sea dispute - it highlights the intra-regional competition

(iii) the internal political problems of the regions states, and

(iv) the technical and commercial impediments to implementing oil projects.

OIL AND RELATED ISSUES IN HISTORICAL CONTEXT

The presence of oil in the Central Asia can be recorded as far back as the thirteenth century. Caspean oil has played a key strategic role in world politics, throughout the twentieth century. It was frequently the source of tension between external super powers. But by the end of the nineteenth century, as the technology developed, oil emerged as a main factor in the competition, among the concerned parties Game intensified. The Caucasus and Central Asia was no longer just a point of access to the riches of South Asia, in particularly India, but a lucrative prize in itself[9]. The mineral wealth of Central Asia in Turkmenistan and Kazakhstan was discovered in the 1950's. From the mid-nineteenth to mid-twentieth century, most of the competition for oil took place over reservs in the Caucasus region of the Caspian.

Thus, caspean oil acquired the role of key strategic asset, playing an important part in determining the shape of modern political landscape.

The oil of this region had considerable strategic weight in both the world wars. During the first world war when the Germanys, own fuel supplies, was exhausted, it tried to capture oil of the Baku region Germany lost the war and was unable to capture it.

In the second world war, Hitler was interested to use Caucasian oil for his military expansion. Germany again lost the war. However, this was not to be. As Daniel Yengin points out. "the Germans ran out of oil in their quest for oil[10].

External Political Players.

The history of Central Asian states has been characterised by the regional influence, political manoeuvring, shifting alliances, commerical competition and outright war. The region has always been vulnerable to the outside parties who intervene in the region.

Russia:

Among all the external political players that are competing to influence the Central Asian states, Russia is probably the most dominant at present. This dominance is not because Russia has gained the confidence of the Central Asian countries, but because the countries having become independent from Soviet Union only in 1990 are still heavily dependent on Russia for its security and economic needs. During the period immediately after the Soviet demise, the entire orientation of Russian policy was towards the west. Also as it was preoccupied with more demanding problems at home, Moscow left the Central Asians to themselves. During this period there was rivalry between Turkey and Iran who were trying to fill the vacuum in Central Asia. But when Islamic fundamentalism raised its ugly head in Tajikistan, Russia became concerned. It also felt a threat to its southern flank - inhabited by a large number of Muslims - from growing Islamic fundamentalism in the region. Russia has its other interests too like protecting the rights of the Russian diaspora in the other former Soviet republics[11]. Moreover, the primary Russian concern has been to ensure the security of its southern periphery and to safeguard its territorial integrity. About 14,000 km of new Russian borders with the Central Asian republics have yet to be codified in treaties. The problem of demarcating new boundaries is further compounded by territorial claims that certain former republics may have against Russia[12]. President Boris Yeltsin has invited talks on this issue with the Central Asian countries.

In the course of the Great Game, Russia gained control of the oil rich Caucusus and Central Asia in the course of Great Game. This control was maintained even during the Soviet period, and ties therefore the Moscow retains with the regions which remains strong. The breakup of the Union, This required the evolution of a new strategic regional policy. This new policy has been, linked with Russia's position on oil.

Russia's current policy towards oil in the region is characterised by two basically contradictory schools of thought. The first has been expoused by Yevgeny Primakov and other officials who interpret Russian policy within a traditional balance of power framework. According to scholar Robert Barylski, on 21 July 1994 former Foreign Minister Andrei Kozyrev and Primakov convinced Yeltsin to sign a secret directive on protecting the interest of the Russian Federation in the caspean sea', which argues clearly that Russia should maintain its sphere of influence in the region[13]. This group views oil as a central instrument in maintaining their influence in the region.

The propagator of the second school as Prime Minister Viktor Chennomyadin and other oil industry officials. They have no hesitation in welcoming western participation in the development of Caspean oil. They take this opportunity to have access to advanced technology and also to gain foothold in world oil market. The two views of the Russian school are contradictory and as such has not received the expected response.

Russia controls the only major export pipeline of Kazakhstan. It is now putting pressure on Kazakhstan, to cooperate on the construction of a second pipeline, which also planned to run through Russia. In June 1994, Kazakhstan openly accused Russia of decreasing the volume of Kazakh oil through the existing line to force Kazakhstan to accede to Russian political and economic demands[14].

However, the second pipeline proposal is complicated by a number of factors. Foremost among these is resistance by most of the newly independent states to sustained Russian control of export routes.

Overall, it appears that despite profound disagreements in Moscow about the appropriate view of Russia's strategic and commericla interests in Central Asia, and correspondingly fragmented policy implementations, Russia continues to exercise significant influence over the region. With the increase in oil production from the new oil-rich states, the degree of Russian influence will depend critically on Moscow's developing stance with respect to joint ventures in the area, and the direction in which the export infrastructure develops.

The United States

The US has three main policy targets in the region. The first is to support the sovereignty and independence of the 5 countries of the region. The US views oil as the key to the economic viability of these countries. Second, the US justifies its own commercial involvement in the oil production and export in the region. The basis of its argument is that it will facilitate the region's entry into the world economic market. Such commercial involvement could also strengthen the US presence in Central Asia, management and technology. Finally, it is hoped that the involvement of US companies in successful and lucrative oil deals will also bring economic benefits to the US. Third, US policy intends to diversity the world oil supplies to reduce future dependence on Persian Gulf oil. This is strategically important beucase by the year 2000 during which time, according to some projections, world oil capacity will not keep pace with the demand created by economic growth.

The US perception is that the rapid development of oil projects is crucial for the Caucasus and Central Asia, because the countries tend to be poor, and here are an economically dependent on Russia. US oil policy in the Central Asian region. Relies on 4 main instruments.

(a) Active diplomatic support from the embassy officers to the President. The President, Vice-President and several cabinet members have worked actively to pursue US goals in the region. US alos is taking intenest in the Caspian Sea demarcation issue.

(b) Government trade and commercial bodies, including the Overseas Private Inveswtment Corporation, are already involved in projects.

(c) Provides substantial technical assistance to help these countries develop their legal and commercial infrastructures to meet modern needs and facilitate oil development and export projects.

(d) Support for International Financial Institutions' (IFI) efforts at institution-building and infrastructure policies in these countries[15].

The US has promoted long and short route pipeline 1994 because it encourages commercial competition and keeping tariff rates lower, and protects exports. There is not dependence on any single route.

USA is promoting route through Turkey (as one of several routes). By this the pipeline capacity to export oil from the Caspian region, relieving will increase. Their will be less pressure on the Russian pipeline system;

Oil companies are in the process of sorting proposals for medium - and long-term exports. This include cost estimates and risk assessments. The US has been careful not to push ahead of the commercial game with having financial backing. The parameters described above define the policy as far as possible, in the context of developments to date. As the situation evolves, US policy-makers will further refine those parameters in a way that best suits their national interests.

The American companies and countries involved in the Azerbaijani and Kazakhstani oil projects are presently examining possible pipelines routes through either Georgia or Armenia. The US would support the future development of these routes providing that the projects can attract suitable finance.

Turkey

Turkey's ties with the Turkic ethnic groups is very strong. These ties, were weakened during the Soviet period. But the demise of the Soviet Union has given Turkey an opportunity to renew its historical association with its ethnic groups in the Caucasus and Central Asia, and to increase once more its influence in the region. This issue has been on high priority for Turkish foreign policy. In an attempt to profit economically from new investment opportunities Turkey has presented itself as a development model for the newly independent states. Turkey has concluded a number of political, military and economic agreements with the Caucasian and Central Asian states, and commercial ties have deepened, particularly since 1991.

Since the changes in Central Asia is taking place slowly Turkey has not been able to influence the countries as it was expected. Turkish policy-makers have consequently adopted a more long-term view. It is based on modified expectations about what can be accomplished in the short term. Turkey thus still remains committed to a close relationship with the countries of the Caspian Basin for both political and economic reasons.

Turkey's principal interest is in increasing its own influence there. Ankara is particularly keen to build a pipeline to carry Caspian oil out through Turkey. However, the outcome of Turkey's review of limits on tanker traffic through the Bosphorus Straits – for reasons including safety and the environment – could significantly affect wider deliberations on transport routes for this oil. Plans for a pipeline through Turkey may also be complicated by Ankara's struggle with Kurdish separatists in the region through which the pipeline would pass. But a decline in Kurdish terrorism during the past two years, and the Turkish government's pledge to provide protection for the pipeline may help ease concerns on this point.

Another, problem for Turkey's pipeline hopes is that oil from Kazakhstan would have to go through Iran war-torn Armenia or a politically precarious Georgia before reaching Turkey. None of these routes is particularly secure; all pass through politically unstable regions. The lack of infrastructure for pipelines is a problem which Turkey will have to cope with.

Initially the Turkish model of development was put forward by the Western and Turkish media as the desirable model to be followed by the newly-independent Central Asian states. Turkey was a secular Islamic country and was closely allied with the West through NATO and the European connection. Both Turkey and Central Asian States were enthusiastic about the new model. Turkey made significant attempts to increase its presence and influence in Central Asia. It made many agreements with the Central Asian states soon after establishing diplomatic relations with them. In order to spread its cultural influence in the region, it instituted ten thousand scholarships for Central Asian students. Attempts were made to promote Turkish language in the new states. Still, the Russian language continues to be widely used in Central Asia as the language of communication and also as a language of higher learning. Turkey has emerged as a significant economic player in Central Asia. It is the third biggest trading partner of Kazakhstan. More than 300 Turkish companies are operating in Kazakhstan. In September 1997, when the Turkish Prime Minister, Mesut Yilmaz visited Alma-Ata, he announced a $300; million credit in support of small and medium size enterprises there. Similar efforts have been made by Turkey in other Central Asian states also. On November 18, President Islam Karimov of Uzbekistan and the Turkish President Suleyman Demirel signed a treaty of friendship and cooperation at Ankara.

Iran

Tehran has not been slow to take advantage of opportunities in the region offered by the disintegration of the Soviet Union. From 1991, the Iranian government recognised the independence of all the new states. Iranian goals in the region include political influence, profitable economic and commercial relations and the spread of religious ideology. Iran is also interested in showing that it can become a regional leader. As Iran's own oil resources are becoming it will try to have depleted, influence over the region's new reserves.

Iranian religious leaders and businessmen have visited all the countries of the region. They have made contacts with the new governments and their people. Despite the fact that Iran does not have the economic capacity to offer significant aid, it has still made economic contacts and joint ventures, in oil and gas. Iran has closest ties with Turkmenistan in the region, alarming Turkmenistan's Central Asian neighbours, particularly Uzbekistan and Kazakhstan, Iran is suspected to be supporting armed opposition in Tajikistan. This has alarmed Turkmenistan's neighbours particularly Uzbekistan and Kazakhstan as they see it as an indirect threat to themselves.

Iranian have frequently talked of the revival of the ancient silk route. They have pushed for the rapid construction of rail and road links between Iran and the Caucasus and Central Asia. Such links include a rail line from Iran with Turkmenistan. If this project is completed it would form the basis of a silk route revival. Almost all of the countries of the Caucasus and Central Asia would then have transportation links through Iran to the Persian Gulf. In the longer term, Iran has designs on a link through Turkmenistan and Kazakhstan to China[16].

Iran is seeking shares in a number of Caspian oil and gas development and export ventures. It is exploring both short and long term export arrangements through pipelines as an alternative both to the Russian pipelines. Iran is palnning short term arrangements for pipeline but in the long run the value of Central Asian oil depends on its effeciency to deliver it to the western markets.

In February 1992, Iran hosted a meeting of the Economic Cooperation Organisation (ECO). The participants were Iran, Turkey, Pakistan, Azerbaijan, Turkmenistan, Uzbekistan, Tajikistan and Kyrgyzstan. It discussed Caspian issues. It also tried to take a regional leadership role in economic, affairs. ECO agreed to set up a Caspian Cooperation Organisation (CCO) with its headquarters in Tehran[17]. In Tehran in April 1992 in a conference on Caspian cooperation the participants, signed a protocol on the protection of the Caspian environment, navigation, passenger traffic between their respective ports, and related issues[18].

Attempts have been made by Iran to have a communal cooperation with Russia, Turkey and West European countries. But rthese were not successful because these were alliances of convenience and are not long lasting. Iran has cooperated with Russia on the Caspian boundary to demarcation issue but of no avail.

America has not been able to cooperate with Iran on the Central Asian issues because of Irans use of terrorism as a foreign policy tool. Other Western countries have adopted soft towards Iran.

China

China is also a possible model for the countries of the Caucasus and Central Asia. The Chinese is attractive as it is based on communist ideology and thus suits the conservative and authoritarian leaders, who wish to reform economically but not politically. Uzbekistan claims that the Chinese model might serve as a better model than that of the West. Relations between China and the Central Asian countries has been congenial. Some tension with Kazakhstan exists over Chinses nuclear testing at Lop Nor[19]. But according to scholar Ross Munro, trade between China's north-western Xinjiang Autonomous Region and Kazakhstan is responsible for much, if not most, of Kazakhstan's economic growth in 1992[20]. Uzbekistan and Kyrgyzstan have sought closer relations with Beijing, and China has become one of their largest trading partners outside the former Soviet Union.

China will be in need of vast oil resources in the next century considering that its economy is rapidly developing. China must make significant discoveries of oil to fulfil its need. It is therefore trying to again access in the Central Asian region.

Many foreign companies have been invited to China to help explore and develop the Chinese Tarim basin region for oil. China has kept some promising oil fields for itself even though it lacks capital. If Tarim oil resources are small, China could send the oil by rail to eastern Kazakh refineries.

If Kazakhstan oil projects continue to develop, and provided that the political and economic conditions are favourable, China may be interested in linking up West-East pipeline taking Kazakh and Chinese oil to the Far

East, It may involve the participation of Korea and Japan. Such a proposal might take time to develop. Any oil or gas pipeline linking China with Central Asia and the Caucasus would be very long and costly, traversing vast stretches of difficult terrain. Central Asian Countries have shown interest to involve China in its oil projects.

Turkmenistan began discussions in 1992 with Beijing and the Japanese company Mitsubishi for a gas pipeline to China. In 1995 Kazakhstani President Nazarbayev and Chinese President Jiang Zemin agreed to study possible oil pipelines connecting western Kazakhstan with the eastern coast of China. Pakistan is not a strong contender for power in the Central Asian region. Its significance increases because it has close proximity to the central Asian region. It was used initially by Iran to spread fundamentalism in Central Asia. In recent times, Pakistan has gained significance because it could provide an outlet to the pipelines to the Karachi port. But Pakistan itself is confronted by problems.

Pakistan

Pakistan faces problems of chronic unrest in Afghanistan which lies between Pakistan and the Caucasus and Central Asia. In addition, the Pakistanis also have problems in their own country like the problem of management of their port in Karachi.

INSTITUTIONS AND OTHER COUNTRIES

Other Western and developed countries – the UK, France, Japan, and Italy – share similar policy goals with the US. They want to see a stable, independent, secular, democratic and market-oriented countries in the Caspian region. They have provided aid and trade programmes with the region's countries similar to those of the US. Apart from the political and aid cooperation, however, there is also intense commercial compètition for shares in oil projects.

Like Western countries, international organisations such as the World Bank and the European Bank for Reconstruction and Development (EBRD) may play a greater role in future in the region's oil and gas ventures. The World Bank has already initiated projects to help several Caspian countries develop their energy infrastructures and legal frameworks. In early 1995, it granted Kazakhstan technical assistance loans of several million dollars to develop their management of oil resources.

Other organisations such as the European Union (EU) may also increase their participation in the future. The EU already provides a large amount of humanitarian and technical assistance to the Caucasus and Central Asia. However it has so far not provided assistance in the oil and gas sector. It is examining proposals for a Greek, Russian and Bulgarian bypass pipeline to take oil from the Bulgarian Black Sea port of Burgas to the Greek Mediterranean port of Alexandroupolis. If the project goes ahead, it will increase the amount of oil that can be shipped through the Black Sea.

Role for India

India is situated in close geographical proximity to CAS but does not have common border with them. India has deep geo-political and geo-strategic interests in the region. Historically India and Central Asia have had close ties. The developments in Central Asia have always tended to have a spill-over effect on India and vice-versa. Jammu and Kashmir is already feeling the brunt of militant Islamic fundamentalism in neighbouring Afghanistan. If the Central Asian region passes under the influence or control of hostile forces, it would indirectly influence India's security concerns. The basic geo-political interests of India and the Central Asian Republics tend to converge in the region. India does not even remotely figure in the threat perceptions of these republics or Russia. India is rather seen as a friendly and a helpful moderating and stabilising factor. India also has an inherent interest in the emergence of the Central Asian Republics as stable, strong and prosperious states who can hold their own and do not pass under outside influence. Both India and the Central Asian Republics have a common interest in countering the growth of Islamic fundamentalist and other extremist forces in the region. Putting an end to international terrorism, and curbing arms smuggling and drug trafficking in the region are in the common interest of India and the Central Asian Countries.

India is mainly relying on economic issues, in this geo-politically important region, its place in the economic map of the region is very insignificant as compared to other countries that are trading with the region or have made investments there. Despite the oft-repeated statements of India's crucial geo-political interests in the region, India's diplomacy and economic activity in the region seem to lack vigour and necessary will[21]. It is true that India does not have surplus capital to make huge investments in the region, still there is great scope and unexplored possibilities for enhancing the resource Central Asian Countries. India's energy requirements are growing. The Central Asian states have huge oil and gas reserves that they want to export. India can seek access to them through the Iranian route, the Russian route through the port of Novorossisk or even the Afghanistan-Pakistan route as and when it opens and becomes operational. The Central Asian states as well as the oil and gas multinationals who would make billions of dollars of investment in the construction of the oil and gas pipelines would like to extend them to the much larger and lucrative Indian market and not stop in Pakistan. India as well as the Central Asian states can gain from expanding their mutually beneficial economic cooperation and trade transactions. India can help these countries in their nation and state building efforts, their economic transition to a free market economy and in the training of their cadre according to the current requirements of their economy and society at large[22].

Deadlock over Caspian Legal Regime

Caspean Sea is a landlocked lake. Vast potential for oil has been found in the lake bed. Russia, Kazakhstan, Turkmenistan, Iran and Azerbaijan broder the Caspean Sea. Since the maritime border of these states is not marked in the Caspean sea, it is an area of dispute. Before the break-up of the Soviet Union, the legal status of the Caspian Sea was established under Soviet-Iranian treaties signed in 1921 [illegible] In 1992 and 1993, after the break-up, the Caspian littoral states met in Astrakhan and Tehran to discuss Caspian demarcation and other Caspian-related issues such as regional development, the environment, and fishing rights. On several occasions, all the states except Russia agreed to a plan, formulated by Kazakhstan and based on the old Soviet republic boundaries, to divide the Caspian into individual sectors bounded by equidistant lines from the shores of the bordering states. This was the arrangement the new states had been using, and one which is consistent with the way other similar bodies of water are legally divided. Under such an arrangement few, substantial resources would be in Russia's sector. Russia announced their objection to any division of the Caspian Sea along state boundary lines.

Russian politicians and officials have issued public warnings that opening up the Caspian Sea to international oil and gas developments over which Russia had no control would erode Moscow's security and its political and economic influence, damaging Russian interests in the region. As more and more lucrative oil and gas deals with Western companies approached closure in the Caspian area, Russia took a stronger stance in particular by invoking the unresolved Caspian demarcation issue to oppose the Azerbaijani international consortium. In October 1994, Russia circulated a paper at the UN warning that Moscow reserved the right to take appropriate measures against Caspian states that unilaterally begin exploring the Caspian seabed.

For their part, the ex-Soviet Caspian littoral states would like to resolve the legal regime soon, although they are not prepared to relinquish what they consider to be their rights. Many are concerned that Russia's stance will scare away potential foreign investors needed to fund large oil and gas projects. These projects are crucial for the survival of local economies. Azerbaijan has taken the strongest stand among the littoral states against Russia's efforts to establish a division of the Caspian, mainly because this would affect its immediate interests[24].

In October 1994, Turkmenistan publicly supported Azerbaijan's right to develop its Caspian sector. Turkmenistan does not intend to develop its own Caspian resources in the near future, so the Turkmen position in this respect may vary over time. Kazakhstan, on the other hand, has been trying to find an accommodation with Moscow on the Caspian issue so that it can move forward with much-needed dcevelopment projects. At the beginning of 1995, Kazakhstan claimed to have resolved the dispute with Russia but in 1996 Russia still appears to be pressing its own view.

In November 1994, the littoral states established a Caspian coordinating committee to work on demarcation and other related issues, including navigation and fishing rights. In February 1995, all the states except Azerbaijan agreed to a 20-nautical-mile coastal border for exclusive fishing rights. Azerbaijan did not want to sign the accord because it feared establishing legal groundwork for the condominium arrangement[25].

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CHAPTER IV

PIPELINE POLITICS

Getting Caspian oil out of the region and into the international markets is a key issue that will ultimately deeply affect the political and economic fate of the countries concerned. This is the area in which domestic complications in each of these countries combine both with the strategic competition among the region's powerful neighbours, and with over-arching technical and infrastructural problems, to produce a seemingly intractable puzzle[1]. Innumerable investors, enterpreneurs and political players are attracted to this region because of the riches and power that is attached with oil and gas.

Most of the oil-producing countries of the Caucasus and Central Asia plan at least to double their oil production during the next 5-10 years. The condition, capacity and configuration of the existing Russian-controlled pipelines out of the region are inadequate for the significant increase in oil volumes being generated by the projects begun after the dissolution of the Soviet Union. However, monopoly by any one country on all future pipelines would give it leverage that neither the Caspian countries nor the international oil companies want to see. The countries fear the political uses of such leverage, and the oil companies fear that competition among

Destination	Origin	Kazakhstan	Turkmenistan	Uzpekistan	Russia
Armenia	Crude	-	_	_	1635
	Products	-	_	_	1810.4
	Gas	-	28.5	_	_
Azerbaijan	Crude	6913	_	_	1759
	Products	_	_	_	<1
	Gas	_	81.2	_	-
Belarus	Crude	694	-	-	90359
	Products	-	-	-	4949.4
	Gas	-	-	-	572.6
Georgia	Crude	-	-	-	1511
	Products	-	-	-	65.5
	Gas	-	132.1	-	-
Kazakhstan	Crude	-	-	-	61846
	Products	-	-	20.4	18724.5
	Gas	-	217.6	159.2	41.0
Kyrgyzstan	Crude	-	-	-	-
	Products	905.2	277.4	72.3	3912.8
	Gas	-	-	47.5	-
Moldova	Crude	-	-	-	-
	Products	32.1	319.7	-	8555.6
	Gas	-	-	-	109.1
Russia	Crude	75504	-	5022.4	-
	Products	33.6	116.8	11.7	-
	Gas	121.9	110.5	-	-
Tajikistan	Crude	-	-	-	-
	Products	547.5	730	449.0	1766.6
	Gas	-	-	49.1	-
Turkmenista	Crude	409	-	-	1832
n	Products	-	-	-	-
	Gas	-	-	-	-
Ukraine	Crude	2190	-	-	123326
	Products	365	1.5	4.4	26958.9
	Gas	-	900.6	-	1932.0
Uzbekistan	Crude	-	-	-	29375
	Products	2763.1	284.7	-	2399.5
	Gas	-	206.7	-	-
Other	Crude	45267.3	2766.7	-	580,550
	Products	2732.3	7029.9	537.2	251,850
	Gas	-	289.8	-	3565.5

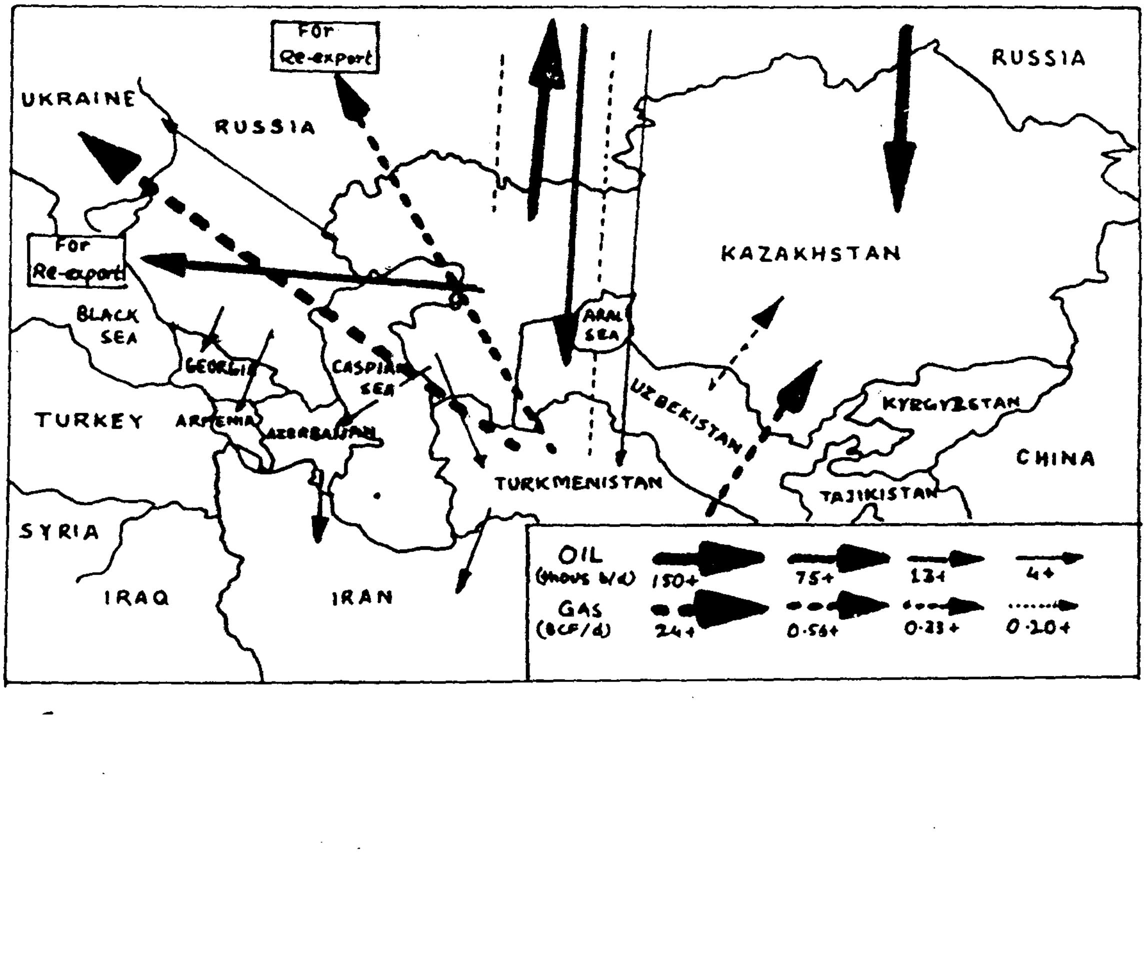
export routes would minimise tariffs and provide alternatives in case of political instability or other disruption[2].

Current Pipeline Flows

Before dealing with pipeline politics, the existing pipelines of the region should be understood. The existing oil pipeline network was designed by the former Soviet Union is composed of four major sections: one is oil import line from Russia, and three export lines. The import line runs from the West Siberian oil fields and passes through Kazakhstan (pavlodar and Shymkent) and Uzbekistan, terminating in Turkmenistan (Seili - formerly Neftezavodsk). Oil is shipped by pipeline via Shymkent to Uzbekistan's eastern refineries at Fergana and Alty-Aryk. In addition a pipeline from the Kumkol region in eastern Kazakhstan feeds locally produced oil into the pavlodar-Shymkent-Seili pipeline[3]. The three major oil export lines in Central Asia were designed to transport oil from the major oil producing regions in Kazakhstan. Almost all the oil from Tengiz and Buzachi Peninsula is shipped north to Samara and currently moves to Russian refineries. Oil from the Zhanazhol region is shipped north to Russia (through Orsk). Another pipelines from this region runs around the Caspian Sea to Groznyy.

The gas pipeline network reflects the importance of natural gas transportation in the region. Over 10,000 km of gas trunk pipelines have been laid in order to transport gas from Uzbekistan. Turkmenistan, and

MAJOR CRUDE OIL & NATURAL GAS FLOWS OF CENTRAASIA BY VOLUME, 1993



Kazakhstan to Russia and Europe. Furthermore, the capital cities of all five Central Asian republics are connected by gas pipelines. Currently the Central Asian gas output primarily is concentrated in Turkmenistan, which is a net gas exporter, an holds a dominant position among the southern former Soviet Union gas producers. Turkmenistan exported just 8.2 billion cubic meters (BCM) of gas in 1993 to the west, as Russia began to impede the country's exports in the process of wrangling over the proposed 1994 quota and tariff schedule[4]. As a result of this development. Turkmenistan has been attempting to build a new export pipeline for its gas.

Present flows oil and gas in the Central Asian region follow the existing pipeline routes and reflect supply and demand patterns for oil and gas   In terms of volume, Russia dominates the flow of oil in both directions. Gas flows exhibit a similar pattern overall. Gas flows out from Uzbekistan and Turkmenistan.

Oil transportation within the former Soviet Union that is, "intraregional" trade, take place predominantly through the existing pipeline system. Approximately 85 percent of such intra regional trade is via pipeline, 10 percent by rail and the remaining 5 percent via barge.

In contrast, Central Asia's oil exports outside the former Soviet Union are both by pipeline and sea. For example, of Kazakhstan's total oil exports outside the former Soviet Union through Russia in 1993 was 45.3 million barrels out of which about two-thirds was via tanker (sea) and one-thrid was moved via pipeline. Crude oil exported by both Tajikistan and

Existing and Proposed Oil Pipeline Joint Ventures in Central Asia.

Organization	Location	Description
Caspian Pipeline Consortium (Kazakhstan. Russia.Oman	Kazakhstan-Russia (BlackSea)	Proposed rehabilitation of existing pipeline north of the Caspian to Black Sea port of Novorossiysk.The rehabilitation project would cost half of the projected S1.5 billion to construct s new pipeline but would carry only 15-17 m/t per year. Estimates envisage one year to complete the 750-K.m (470-mile) Pipeline.
Caspian Pipeline Consortium	Kazakhstan-Russia (Black Sea)	Proposed 750 Km pipeline from Tengiz fields through Russia to Black Sea port of Novorossiysk.The xcapacity of the new pipeline would be 50-55 mt/year or 1.5 mb/day at a cost of more than S1 billion.
Caspian Pipeline Consortium	Kazakhstan-Turkey	Proposed 1.6000.Km pipeline north of Caspian Sea through Russia and Georgia to Turkey and the Mediterranean Sea.
Caspian Pipeline Consortium	Kazakhstan-Georgia	Proposed 2.000 Km pipeline from Tengiz fields throuth Turkmenistan across the Caspain Sea to Azerbaijan and the Black Sea coast of Georgia.
Caspian Pipeline Consortium	Kazakhstan-Iran	Proposed 800 Km pipeline from Aktau fields across the Caspain Sea through Azerbaijan to Iran
Caspian Pipeline Consortium	Kazakhstan Tajikhstan	Proposed 1.650 Km pipeline from Tengiz fields throuth Uzbekistan and Kyrgystan to Tajikistan
Kazakhstan Pipe line Company	Kazakhstan -Iran	Proposed 2,300 Km pipeline from Tengiz fields through Turkmenistan to Kharg Island in the Persian Gulf.
Tefken Holding A.S.(Turkey)	Kazakhstan-Turkey	Proposed 1.900 Km pipeline from Tengiz fields across the Caspian Sea through Azerbaijan and Iran to Mediterranean coast of Turkey via existing Turkey-Iran pipeline . Capacity for pipeline would be 40 mt/year or 800,00 b/d (500.000 b/d from Azerbaijan and 300.00 b/d from Kazakhstan).
Kazakturbunay	Kazakhstan-Turkey	Under a new 36-year petroleum agreement signed by Kazakhstan and Turkey, a pipeline will be built to deliver Kazakh oil through Turkey.
Amoco (U.S) Pennzoil (U.S) Unocal (U.S) BP(UK), Azerbaijan	Azerbaija- Turkey	As part of a new 88 billion oil deal to develop offshore oil in the Caspian Sea. Weasten consortium announced preliminary plans to ship Azeri crude via a new pipeline across Turkey.
Caspain Pipeline Consortium/ unidentified Japanese firm	Kazakhstan-Chine	Possible pipeline from Tengiz fields through China to transport Central Asian gas and oil to markets on the Pacific Rim.
Turkmenistan-Iran	Turkmenistan-Iran	Possible pipeline from Turmen oil fields to northern Iran.
BOTAS/SOCAR	Azerbaijan-Turkey	Proposed 1.060 Km pipeline from Baku, Azertbaijan through Iran to Mediterranean coastal city of Ceyhan, Turkey. The 800,00 b.d pipeline will cost $1.4 billion, with financing from the World Bank, EBRD, and Citibank.
Former Soviet Government/ Transneft	Russia- Turkmenistan- Kazakhstan- Azerbaijan-Georgia	Existing pipeline built under control of the former Soviet Union .The existing pipeline network is composed of five major sections: (1) 3000Km pipeline linking Omsk (Russia) -Pavlodar (Kazakhstan) - Shymkent (Kazakhstan) -Chrdzhou(Turkmenistan (2) 3500 Km pipeline linking Novorossiysk (Russia) - Groznyy (Russia)- Atyrau (Kazakhstan -Tengiz (Kazakhstan) Aktau (Kazakhstan : (3) a 1400 Km pipeline linking Novorossiysk Groznyy (Russia) -Baku

Organization	Location	Description
Caspian Pipeline Consortium (Kazakhstan. Russia.Oman	Kazakhstan-Russia (BlackSea)	Proposed rehabilitation of existing pipeline north of the Caspian to Black Sea port of Novorossiysk.The rehabilitation project would cost half of the projected S1.5 billion to construct s new pipeline but would carry only 15-17 m/t per year. Estimates envisage one year to complete the 750-K.m (470-mile) Pipeline.
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Former Soviet Government/ Transneft	Russia- Turkmenistan- Kazakhstan- Azerbaijan-Georgia	

Kyrgyzstan s shipped by rail to Uzbekistan's refinery at Fergana. Turkmen oil exports are moving entirely by way of the Caspian Sea, as Turkmenistan's only major pipeline is an import line delivering Russian crude. Iran too receives about 11 million barrels of Azeri crude by way of barge transportation through the Caspian Sea. Both Turkmenistan and Azerbaijan are largely reliant on oil movements involving the Caspian Sea.

Delivery of Oil and Gas

We can analyse the geopolitics of oil in region by studying the intra-regional oil and gas flow. Oil products include automobile gasoline, diesel, and furnace fuel. Consistent with the oil balance figures Kazakhstan delivery coverage within Central Asia by virtue of its more extensive pipeline system. The prime importer of Russian oil in Central Asia presently is Kazakhstan, but the trade between the two countries mostly constitutes an agreement by which kazakhstan refineries, will receive Russian oil. Although the other countries of the region are not major oil importers they depend on the supply of Russian and Kazakh oil particularly Kyrgyzstan and Tajikistan. Since these two nations do not maintain indegenous oil processing facilities they must rely on imports of oil products.

ISSUES IN PIPELINE POLITICS

Even before the collapse of the Soviet Union in December 1991, foreign oil companies had began to eye the Russian Federation as a prime investment target. With a huge natural resource base, well-educated population, anD desperate need for capital investor interest grew rapidly. Outdated oil exploration and drilling equipment in Russia needed replacement and transportation improvements were considered vital. Unlike the Russian Federation, the relatively unknown and poorly understood Central Asian republics generally were not targeted for investment immediately after independence (with the exception of Chevron's developing interest in Kazakhstan's Tengiz and Korolevskoye fields).

Surprinsingly, today investor interest in the former Soviet Union's oil industry has reversed its direction. Since, 1992, increasing interest has been targeted at oil exploration and development activities in Central Asia- and specifically Kazakhstan, Turkmenistan and Uzbekistan. Azerbaijan a transcaucasian republic, also has been the object of substantial investor attention. This reversal has occurred for a number of reasons, including continued political and economic instability within the Russian government, a burdensome tax system in Russia massive bureaucracy and growing corruption while these factors are legitimate grounds for western concern, the leaders of the Russian government have become disappointed with the slowdown of investment in their struggling oil industry, and therefore are even more determined to maintain control over the oil pipeline system[5].

Russia is taking steps to reassert its authority over Central Asia. Russian ambitions to exert influence on any new pipeline development within Central Asia was made clearly evident in September 1994, when Azerbaijan concluded an $8 billion agreement with Western oil companies. The deal, which paves the way for the development of three major Caspian Sea offshore oil fields (Azeri, Chirag,and Gyuneshli), could remove much of the control that Moscow has exerted adjoining republics by means of Soviet-built pipelines that traverse Russian territory to reach export markets.. However, the Western oil companies have been faced with Russian demands that the pipeline carrying oil to market from the landlocked Caspian Sea should cross its territory. Despite U.S. pressure on the Yeltsin administration for a more accommodating attitude Russia has continued to emphasize weeks after the accord was reached that it would not recognize the contract with Azerbaijan.

The Western companies involved, including Amoca Corporation, Pennzoil Co., Unocal Corporation, and British Petroleum, want to ship crude via a new pipeline across Turkey, bypassing Russia, while Moscow is insisting on a different route, namely one its own port at Novorossisk. That would give Russia a majority of revenues and, importantly, physical control over the oil flow, while simultaneously reducing Zerbaijan's changes of earning hard currency from its lucrative oil resources. Transport of oil through Russia would likely involve a swapping arrangement.

Similar pipeline worries earlier in 1994 prompted U.S.-based Chevron Corporation to scale back its investments in Kazakhstan.

Chevron reportedly had been considering the idea of shifting some of its planned Kazakhstan investments into the new Azerbaijan venture, which is closer to non-Russian outlets[6].

Two of the more prominent nations competing with Russia for economic influence in central Asia are Turkey and Iran. Turkey has promoted itself as the answer to the needs of the Central Asian republics because it has successfully achieved economic transformation to a free market system, a project now just beginning in most Central Asian republics. Turkey perceives itself as the key link in the export of Central Asian oil and gas to Europe. Consequently, it has been active in promoting various pipeline plans, particularly those that extend through its territory. Turkey generally opposes any plan for oil to be shipped via the Black Sea, a route that would increase tanker traffic in the narrow Bosphorus strait.

Turkish officials responded quickly and harshly to the Bulgaria-Greece pipeline initiative because it would involve Russian interests. An official at BOTAS the state-owned Turkish pipeline company, has claimed that the project would not be viable economically and if completed, would increase ship traffic in the Aegean Sea, where navigation could be complicated because of congestion[7]. The official suggests the more vaiable pipeline route for export would be one from Baku, Azerbaijan to Ceyhan, Turkey.

Similar to Turkey, Iran has been promoting its strategic importance as a regional leader. Iran supports its relationship with Central

Asia by propagating an Islamic model for development. In so doing, Iran presents its northern region as an ideal market for Central Asian oil and gas. Iran also is seeking to reduce its dependence on the Persian Gulf as the only outlet for its oil exports by finding a new channel to Europe through the southern-tier former Soviet republics and Russia. Iran also constructed railway to Turkmenistan, at a cost at $200 million, and has explored the possibility of establishing free trade zones with Turkmenistan.

Discussions about building a crude oil pipeline from Turkmenistan to Tehran have been held, since the costs of constructing a similar pipeline from Iran's own oilfield to the same refinery would be higher. Under this scenario. Iran would export similar volumes of crude (around 6 million metric tons per year or nearly 120 thousand b/d) from its terminals in the Persian Gulf to pay for the Turkmen crude imports[8].

In January 1994, the two nations concluded a 30-year agreement to construct a gas pipeline, with a capacity of 30 million cubic meters per year, across northern Iran to transport Turkmen gas to Western Europe. This is by far one of the most important projects proposed between Iran and a republic of the former Soviet Union. Construction of the 1,450-km pipeline would require a capital investment at $2.9 billion. Initially, the pipeline would transport 15 million cubic meters of gas and eventually 30 million cubic meters per day under the 30-year concession.

Another protocol also has been signed between Iran and Kazakhstan to process Lengiz crude at the Tehran refinery as a temporary measure of reduce Kazakh dependence on Russia for its exports. The volume of the crude will intially be 2 metric million tons per year, increasing to 5 million tons at a later date. The agreement stipulates that Iranian crude of equivalent value will be exported on behalf of Kazakhstan from the Kharg Island terminal. There also may be the possibility of a swap arrangement between Azerbaijan and Iran, whereby nearly 80 thousand b/d of crude would go to Iran's Tabriz refinery, and equivalent volumes of Iranian crude would be exported from the Gulf.

A surprising competitor for influence in Central Asia is China, which is promoting a new "Silk Road" to link the regions in the next century. Trade between China's Xinjiang Uygur Autonomous Region and the Central Asian republics has developed rapidly, and China has established 180 companies or joint ventures with Kazakhstan. China is looking ahead and intends to increases in trade with Central Asia. It has completed its Trans-Asiatic Railway. Because of China's future economic growth potential, the Central Asian oil and gas producers will likely be attracted by China's future energy demands.

The large quantity of recoverable resources coupled with the desire to expand economic relationships has driven negotiations for joint ventures in oil and gas pipeline construction . Turkmenistan is represented in all the planned and proposed joint ventures in gas pipeline construction. One of the largest joint ventures in planning stages involves Turkmenistan, Turkey, Iran and Russia. The four countries have agreed to principle to build a pipeline for Turkmenistan through Iran to Turkey. Construction was scheduled to begin in the summer of 1994 at a projected cost of more than $ 8 billion[9].

POSSIBLE PIPELINE ROUTES

As much as 10 billion barrels of oil lie beneath the Central Asian states, but much these will not be exploited unless there is ample opportunity for transporting oil out of the region. Various plans for pipeline development in Central Asia have been proposed to bring oil to global markets.

The Long Term Pipeline Puzzle

Decisions on long-term oil export from the Caspian region will have major strategic, political and economic consequences. The short-term options outlined above will provide sufficient export capacity until about 2000. Thereafter, new solutions will need to be found. An additional factor affecting oil export is the impact of economic growth in Asia and former Soviet area and future changes in the patterns of crude oil and oil product demand. According to Laurent Ruseckas, an Associate of Cambridge Energy Research Associates, economic growth, particularly in Bulgaria, Romania, Ukraine and Turkey, could triple the size of thecurrent market during 1995-2000[10]. Depending on economic growth patterns, major long-term decisions may have to be made as early as 1997 to leave enough time to finance and build the necessary infrastructure for the new route or routes.

Currently, at least ten different long-term routes out of the region are under consideration by the countries and oil companies involved in the Caspian projects. Undoubtedly, many more proposals will be considered as more oil from new projects comes on line. All the options and complicated, and none is trouble-free because they all either pass through politically unstable areas, involve high costs because of distance and terrain, or are politically risky because they offend the strategic sensibilities of one or another of the regional powers. The choice of routes will be subject to complex combinations of local and regional interests and technical and infrastructural practicalities.

One export route presently under consideration passes initially through Russia or the Caucasus (Georgia or Armenia), and then through the Black Sea and/or Turkey to the Mediterranean, Another route would go through war-torn Afghanistan to Pakistan, depending on how the political situation in the region develops. Other routes under discussion, such as through Iran to the Persian Gulf, or through Kazakhstan to China, do not seem to have gained much support from oil companies and countries involved in the largest projects. For example, if exploration in China Tarim Basin is successful, and the great expectations of Amoco and other companies involved in the project are fulfilled, the China pipeline option could be more favourably considered. The Iranian route to the Persian Gulf would probably only become more attractive if Iran changed its political and economic policies.

The routes that cross the Black Sea are affected by the Turkish Straits issue. For largely environmental and safety reasons, Turkey has been reviewing limits on tanker traffic through the Bosphorus Straits, where more than one-third of the oil from the former Soviet Union now passes. Russia had hoped to increase oil exports from the Caspian region through its Black Sea ports and then through the Straits, but Turkish views may make it difficult to increase exports from current levels. Although Turkey has cited genuine environmental dangers to explain its position on use of the Straits, political and economic considerations may also play a role in Turkish thinking.

To overcome this problem, Russia is arranging with Bulgaria and Greece to build a pipeline that would take Russian oil from the Bulgarian port of Burgas to the Greek harbour of Alexandroupolis. This route would avoid Turkey altogether. As of early 1996, the project remained in discussion, and the parties have signed only a protocol for further negotiations. The EU which is heavily encouraged by the Greeks, may become involved in financing the pipeline, A potential stumbling block for EU financing is the environmental danger that a pipeline might pose to the delicate eco-system of the Alexandroupolis delta area, and to the main tourist routes in the region. In specific terms, the two long-term pipeline proposals most frequently discussed are:

1. The CPC route from Tengiz through Tikhoretsk to the port at Novorossiyk;

2. A route through Afghanistan and Pakistan to the Indian Ocean.

The Caspian Pipeline Consortium Route

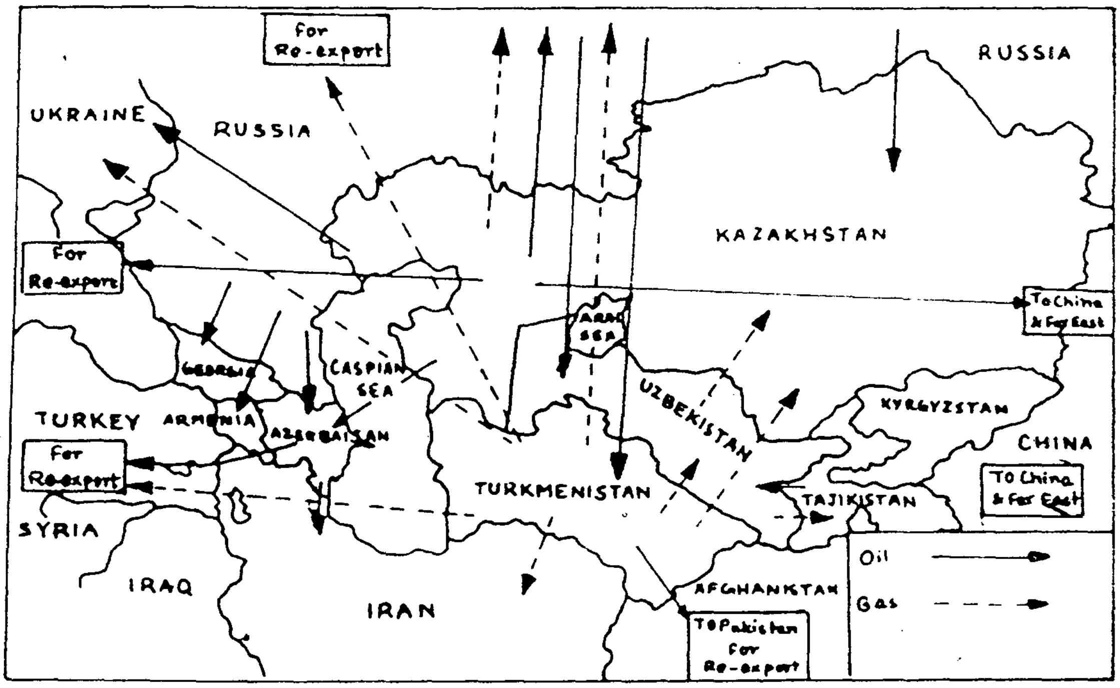
The founding members of the Caspian Pipeline Consortium were Russia, Kazakhstan and Oman. It was formed in 1992 to build a pipeline to transport oil from the Caspian region to the Black Sea. The CPC's original plan was to take advantage of existing infrastructure by finishing a 1,600 km pipeline that had been 60% complet during the Soviet period (but abandoned because of lack of financing). It would link both the Caucasian and Central Asian fields with expanded port facilities at Novorossiysk. The new Novorossiysk facilites would be designed to avoid some of the seasonal delays that force the present port to shut down for up to two months a year because of bad weather. The northern arm of the pipeline would extend from Tengiz around the northern curve of the Caspian and then continue straight across to Tikhoretsk and on to Novorossiysk. The southern arm would link up with a pipeline from Baku at the Russia – Azerbaijani border, passing through Grozny to Tikhoretsk.

The Russian President Boris Yeltsin and Kazakhstani President Nursultan Nazarbayev watched as Russais Minister of Fuel and Energy Yuri Shafranik, Kazakhstan's Minister of Oil and Gas Nurlan Balgimbayev, and representatives of the Russian state pipeline company Transneft and of eight other oil companies signed a protocol to restructure the CPC with the following allocation of shares[11].

- Russia: 24%
- Kazakhstan: 19%
- Oman: 7%
- Chevron (US): 15%
- Lukoil (Russia): 12.5%
- Mobil (US): 7.5%
- Rosneft (Russia) 7.5%
- Agip SpA (Italy): 2%
- British Gas (UK): 2%
- Oryx (US): 1.75%
- Munaigaz (Kazakhstan): 1.75%

If the CPC deal were successfully concluded, it would take at least three years to arrange the financing and build the pipeline for the first phase, upgrade and expand port facilities at or near Novorossiysk, and set up the pipeline arm from north of Baku to the Novorossiysk facilities. When completed, though, this would provide Russia with much needed expansion of the Tikhoretsk-Novorossiysk line. The pipeline would also serve many other projects in the region. According to the negotiators, CPC participants in the project have already booked virtually 100% of the pipeline's capacity[12]. There is some question however, of whether the port at Novorossiysk and the Bosphorus can accommodate all of this oil, and some industry analysts have stressed that it will be necessary to built an additional pipeline.

PROJECTED MAJOR CRUDE OIL & NATURAL GAS FLOWS OF CENTRAL ASIA, 2010



on Russia in the immediate years ahead for many vital goods and services. As for oil and gas. Russia will attempt to manipulate any reliance in order to control the flows, as much as possible, and thus maintain its dominance in distribution[13].

Significant new probable oil flows will include one from Baku, Azerbaijan to Turkey, in accordance with the recently established $8 billion joint venture involving a Western consortium of companies, and a second flow from Kazakhstan's Tengiz field to Russia for re-export. While the latter flow exists at present, its volume is expected to rise substantially in less than a decade[14]. Another possible oil flow could develop between Kazakhstan's western oil fields and China by 2010 if sufficient capital were raised. This appears unlikely in the present situation. As China's economic growth rate continues to rise however, growing demand for oil in that country will necessitate further imports from neighbouring states[15].

Regarding the probable and possible future gas flows in the region, most plans involve Turkmenistan, because of its abundance of natural gas reserves. Plans already are under way to establish a new pipeline from Turkmenistan to Iran to Turkey for re-export to the lucrative European markets. Turkmenistan also has considered establishing new routes to Pakistan.

Pipeline development is very costly. The high expense of transporting Central Asian oil to Europe and Asia must be considered beforehand in evaluating the likelihood of any new pipeline construction.

Only if it is economically feasible with such pipelines be constructed. The Japanese government, or more specifically the National Pipeline Research Society of Japan, recently estimated the cost of constructing an Asia-Pacific natural gas pipeline to be 155 million yen. The Caspean Sea pipeline Consortium estimated the capital cost of building an operational pipeline system from Kazakhstan's Tengiz field to Novorossiysk at $1.030 billion. The Kazakhstan Pipeline Company (KPC), a venture established by U.S. German, and British partners, estimated the cost of building some 1,750 kilometers of new pipeline from Kazakhstan through the Caucasus to Baku, then from Baku to Ceyhan, Turkey, at a total of $3.0 billion total. Fifteen pumping stations would be required for the two-section system with operating costs averaging $4.50 per barrel[17].

Although the projected future flows of oil and gas reflect the current situation, several changes are likely to occur. Changes will result from the expansion of oil production in Kazakhstan and gas production in Turkmenistan. Consequently, increased exports from these two countries will lead to an expansion of export routes in order to develop and facilitate trade relationships. Whereas export routes for Central Asia's oil and gas producers in the past relied on Russia's infrastructure, future flows increasingly should reflect new economic ties between the Central Asian republics and other neighboring countries[18].

FUTURE PROSPECTS

Russia

Alterations in the domestic political situation in Russia will affect the nature of tussle in the region over oil and gas. Different political leaders have different ideas on how to tackle the issues relating to oil. Russia's immediate neighbours worry about Moscow's more assertive policy towards the rest of the former Soviet Union. Nearly all the Caspian countries have expressed concern about the current Russian regime's push for further integration into the Commonwealth of Independent States (CIS), which many observers see as an attempt by Moscow to reassert Russia's role in the region[19].

The domestic politics of Russia will continue to be pulled in several directions on the oil issue. Some Russian officials have expressed the view that Caspian countries owe Russia a debt for its role in developing the region's oil resources They believe that Russia has a strategic right to control such resources. They have suggested that Russia should assert its regional influence by having closer control over transit on the River Volga control of the existing oil pipelines out of the region and by strengthening Russia's political and military influence in the Caucasus. Another group of Russian officials believe that Russia should not be assertive in the region. It may discourage foreign investment Russia is not capable of developing oil in the Caspean because of its poor technology.

Iran

If Russia's behaviour towards the Central Asian countries becomes more aggressive, and the unrest in the Caucasus and Afghanistan persists there in this case Iran would become more attractive export route. Iran has offered a range of incentives for involvement of the oil companies in various oil projects.

For the US, the Russia-Iran dilemma is a conflict between the desire to contain Iran and to foster the independence and sovereignty of the Caspian states. Equally, the US does not support Iran because of its support for terrorism and its efforts to develop weapons of mass destruction. However if Russia maintained its hard territorial line, and the war in Nagorno-Karabakh continues than the Central Asian would send a oil out through Iran. Because doing so could have a negative impact on their relations with the US. Thus the future prospect of sending oil through Iran is still not very rosy.

China

In the short term, China will probably not become as deeply involved as other countries in Caspian oil development and export. China's oil import needs, may increase its interest in the region's pipeline projects. China will continue to increase its trade and economic ties with Caspian countries, particularly those in Central Asia, and may become the primary trade partner for Kyrgyzstan and Kazakhstan. For their part, the Central Asian countries will base deeper involvement with China both on their own economic and political needs. Perhaps the most interesting Chinese-

Caspian joint oil venture depends on whether the Tarim Basin holds significant reserves.

Turkey

Turkey is clearly an influential regional player in the Caspian. The evolution of events there will significantly affect the future of the region's oil developments – particularly the route of a long-term oil pipeline. Much will now depend on how Turkey handles its complex domestic situation. Tensions between government and Kurdish separatists persist, and the government's approach to the Kurdish issue will be a major factor in the long-term pipeline decision, given the potential dangers posed by Kurdish terrorists. Kurdish terrorism has, however, declined over the past two years, and the Turkish government has promised to secure a pipeline through its territory. As part of its support for multiple export options in the Caspian region, the US government has endorsed the Turkish route as one of several acceptable to the US for oil export from the Caucasus and Central Asia.

Afghanistan and Pakistan

Pakistan has now changed track and has made a fresh gambit to grab Afghanistan. It raised the Islamic Taliban milita which is a fundamentalist group. If the Taleban rebels are successful, Pakistan may be in a better position to move forward with the oil and gas pipeline scheme it has advocated for several years. On the other hand, a victory built principally on Pakistan's support without internal consensus would probably not be sustainable.

Pakistan itself is troubled by endemic corruption, large budget and trade deficits, a faltering economy and political instability. Pakistan's economic problems will make it difficult for the country to participate in financing large projects such as the pipeline from Turkmenistan, specially in the present situation when economic sanctions have been clamped on it for conducting nuclear tests.

Conclusion

A very large amount of untapped oil may exist in Central Asia's vast fields, yet development prospects will remain dim until viable transport routes are established to bring the crude to lucratic markets in both Europe and the Middle East. The Western oil companies are eager to participate in the tremendous invetsment opportunites in Central Asia. Unfortunately, a combination of economic, political, cultural, and historical factors currently are hindering most prospects for significant joint venture development. Turkey, Iran, and China are seeking allies in Central Asia, on the one hand, whereas Russia is exerting increasing political influence on any discussions concerning new pipeline development from Kazakhstan and Azerbaijan. Importantly, those who control the oil routes out of Central Asia should be able to influence all future flows (directions and quantities) as well as the distribution of revenues from new production.

The extent of new pipeline construction or renovation not only will affect the direction and volume of oil flows in and around Central Asia, but it also will influence levels of foreign investment in the region. Political obstacles continue to pose concerns to companies considering joint venture development in the region. If difficulties in establishing viable export routes from Central Asia continue, then plans for developing the major oil and gas resources of Kazakhstan and Azerbaijan will have to be significantly downgraded.

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14. Ibid.

15. By the Year 2000, China may be importing more than 1 million barrels of oil per day.

16. Hirata, June, 1993.

17. Dorian, P. Jàmes, Ian Sheffild Rosi and S. Tony Indriyanto, 1994, "Central Asia Oil and Gas Pipeline Network : Current and Future Flows", Post Soviet Geography, Vol. XXXV, No.7, p.428.

18. ibid. p.429

19. Novikov, Evgeni, 1995, "Central Asia's Search for Security", Prism, pp.8-9.

CONCLUSION

The present developments in Central Asian Countries will determine its future orientation. It is highly doubtful whether the extra-regional models will help to overcome the various issues of these countries. Therefore, these five countries should give importance to regional integration rather than a trans-national framework. The emergence of pan-Islamic or pan-Turkic ideology would be detrimental to the well being of the region. These countries cannot afford conflict situation at this sensitive period in their history because it will retard the progress of this region and thus add a new dimension to the already complex geopolitical situation.

Unfortunately, the five Central Asian countries do not have much options. They can either cooperate regionally or confront problems individually. Another advantage that these countries may enjoy by integrating themselves is that they can join the global system. At present none of these states are strong enough either poltically or economically to join the global on its own merit.

There is no doubt that the Central Asian States is passing through a transitional stage. But still, it can emerge as a stable and prosperous region because of its immense natural resources (oil, gas, metal and mineral) and an educated and skilled manpower. These states can be treated as homogenous units. Although there exists structural differences among the countries there share certain common features which would make them to cooperate.

The nature of problems that Central Asia faces today is diverse. Despite the regions rich historical and political background, recent debates have focussed on the national identity in relation to immediate neighbours as well as in the international context. This debate arose because the regional powers are trying to seek legitimation along historical, geographical, ethnic and religious terms. The political boundary and the ethnic boundaries don't overlap. So the various ethnic group are scattered in all the 5 Central Asian countries.

Ethnic tensions have been recurring in the region. These are because of three factors: a) socio-economic inequality among region; b) economic inequality among regions; and c) worsening of economic conditions in the region. Because of the economic in equalities among ethnic groups in a region, there is resentment among the disadvantaged groups. It fuels hatred of the other group who may be 'outsider', 'foreigner' or immigrant. This hatered is the cause of attacks on the minority worsening economic condition is directly related to ethnic conflicts. It is hoped that with the exploitation of the oil and gas & other resources of Central Asia, the countries will enhance their economic position and thus held reduce ethnic problems in the region if not completely overcome it. The leaders of Central Asian states and playing a wise and mature game to overcome the international problems of the countries. The shifting of the capital of Kazakhstan from Alma-Ala to Akmola can be seen in this light. Another instance of deft statesmanship of the leaders of the region is that they have preferred to remain as 'secular states' although the majority population is Islamic steps taken by Central Asian leaders themselves at the initial stage such as their effort to to strengthen the bilateral management with Russia, as well as the formation of Commonwelath of Independent states (CIS) and its collective security mechanism significantly helped to our avoid the negative consequences of the Soviet Collapse, particularly forestalling a inevitable civil war not unimaginative happening seeing the fate of nationalities in the Caucasus and Yugoslavia.

Pakistan, Saudi Arabia and Iran have made sincere attempts to re-Islamise Central Asia through fundamentalist Muslim ideology and mosque building campaigns. Islamic fundamentalism did raise its ugly head in countries like Tajikistan and Uzbekistan, but these countries soon realised the futility of being engulfed by medieval practices. The nature of fundamentalism in Central Asia varies with that of other Islamic countries because in the other Islamic countries fundamentalism is attributed to growing moral and political bankruptcy. Initially, America gave tactical support to fundamentalism to destabilise the southern underbelly of Russia. The shortsightedness of such a venture soon became apparent to USA and it changed track and started spreading Turkish model. Fundamentalism has also been opposed by the efforts of ex-communist ruling elite. The fear from Islamic fundamentalism gaining in strength in the Muslim majority republics.

The multiplicity of problems and its varying nature in Central Asian Countries makes one thing certain - no single power or power center can establish its exclusive hold over the region. The West, and the USA in particular in keen to ensure that no single power should again emerge in Eurasia that can pose a challenge to it like the former Soviet Union did for so many years. In the period immediately after the creation of the five new states, it appeared as though Turkey and Iran would easily influence these countries in its sway. But that was not to be. Various countries like US, Russia, China and other European countries are competing to get access to the oil resources to the region.

The region has regained its strategic importance, but in a totally different framework. The vast natural resources specially oil and natural gas have fundamentally altered the strategic importance of the region in the international politics. As such, the focus of international attention on the region has become significant and the "Great Game" is being played by the major powers who are seeking domination over the Central Asian oil. US along with the Western oil companies have shifted their focus from Persian Gulf to the Central Asian region. The estimated potential of oil and gas in this region is between 90-200 billion barrels, while about 46 percent of the worlds gas reserves exists here. Geopolitical consideration has become important factor in winning oil contracts and also in routing the gas pipelines. China has built a Trans Asiatic Railway that connects its Western border to its eastern coast. Moreover China has invested massively in the Kazakhstan oil fields. So is the case with US and other Western countries. These gestures shows how interested these countries are gaining access to the Central Asian region.

Role for India:-

The Central Asian republics look specially to Turkey and India as their models for national-building process, especially to lay the foundations of democratic, secular and progressive societies. Much has been dealt about Turkeys role. Central Asian states are keen on trade and commercial ties with India and look forward to its role in their economic transformation. India can help Central Asia in exploring and promoting new business opportunities, in trade, joint ventures is mining, oil exploration and other economic activities like textile, leather food processing project etc.

There is a vast potential for cooperation between India and the Central Asian states because of the goodwill on both side. What India needs, is, that it should reorient its policy towards Central Asia in a positive way so that India can reconcile its own national interests with the demands of mutually beneficial cooperation.

Table 5.Central Asian Countries - Basic

Countries	Population in million (1992)	Area (thousand km.sq.)	Per capita GNP (1989 in US$)	Economic Growth 1986-89	Est. as a Soviet Republic	Major Natural Resources & Industry
Turkmenistan	3.8	488	3370	4.9	1925	Oil, natural gas, lead, zinc, copper, mercury, Mettalurgy chemical & petrochemical, carpets
Uzbekistan	21.6	447	2750	2.9	1925	Natural gas, oil, coal, gold,building mateials,marbles, chemical, fertilizer, machine building, mining, iron, steel, food processing, light industry
Kyrgyzstan	4.6	198	3030	4.9	1936	Metallurgy, machine building, textiles, food processing.
Tazikistan	5.7	143	2340	30.2	1929	Iron, tungsten,lead, sinc, copper, gold, uranium. Food processing and textiles
Kazakhstan	17.1	2717	3720	1.9	1936	Oil, Natural gas, uranium processing, iron, steel

Source : *The World Fact Book- 1972, CIA, Govt of USA. Military Balance, 19722, IISS, London Information on Central Asia, complied byProf. Mahavan K.Palat, IIC, New Delhi, 1992; The Midle East, Nov. 1992, p.38.*

Table 6. Muslim Central Asian Countries' Population (1990)

Countries	Population in million	Russians	Other Nationalities
Turkmenistan	3.6	10%	9% Uzbeks, 3% Kazaks & 1% Ukrainians.
Uzbekistan	20.3	8%	5% Tajiks, 4% Kazaks
Kyrgyzstan	4.4	22%	13% Uzbeks, 3% Ukrainians, 2% Germans
Tazikistan	5.3	8%	24% Uzbeks, 1% Tatars, 1% Kirghiz, 1% Ukrainians
Kazakhstan	16.7	38%	6% Germans, 5% Ukrainians
Total	49.7 (9.6 million Russians and 1.50 million other nationalities)		

Table 7 - Ethnic Composition of Central Asian Countries
(By percentage)

Kazakhstan		Uzbekistan		Kyrgyzstan		Turknenistan		Tajikistan	
Kazakhs	40	Uzbeks	71	Kyrghizs	52	Turkmen	72	Tajiks	62
Russians	38	Russians	8	Russians	22	Russians	10	Uzbeks	24
Germans	6	Tajiks	5	Uzbeks	13	Uzbeks	9	Russians	8
Ukrainians	5	Kazakhas	4	Ukrainians	3	Kazakhs	3	Kirghizs	1
Others	11	Others	12	Germans	2	Ukrainians	1	Ukrainians	1
				Others	8	Others	5	Others	4

Source : *Derived from "The Soviet Union's Unequal Parts : Diverse and Restless", The New York Times, Sep. 11, 1990, Time, Sept. 9, 1991; Statesman's Yearbook, 1990*

Table 8 - Some Economic Characteristics

Countries	Economic Growth (1989-90)	Per capita income as Soviet Un %	Share of Soviet Un hard currency exports (1990)	Soviet subsidy % of Country's Export (billion roubles)
Turkmenistan	4.9	71	0.2	20 (1.4)
Uzbekistan	2.9	62	0.9	43 (12)
Kyrgyzstan	4.9	72	0.2	35 (1.9)
Tazikistan	3.2	54	0	45 (2.5)
Kazakhstan	1.9	93	3.7	25 (6)

Source : The Middle East, November 1992, p.39. The Economist, Dec. 26 Jan 8, 1993, p.31

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