

REGIONAL COOPERATION IN CENTRAL ASIA: PROBLEMS AND PROSPECTS

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fulfillment of the requirements for the award of the degree of*

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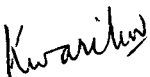
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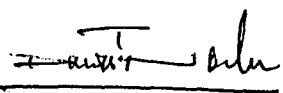
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This is to certify that the M.Phil dissertation entitled “ **REGIONAL COOPERATION IN CENTRAL ASIA: PROBLEMS AND PROSPECTS**”, submitted by **SUDHIR KUMAR SINGH** in partial fulfillment of the requirements for the award of the degree of **MASTER OF PHILOSOPHY**, has not been previously submitted for any degree of this or any other University and this is his own work.

We recommend that this dissertation may be placed before the examiners for evaluation.


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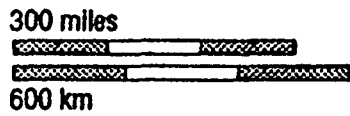
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TO

MY PARENTS & GRAND MOTHER

CONTENTS

	Page No.
ACKNOWLEDGEMENTS	i
PREFACE	ii- iv
CHAPTER- I	
Introduction	1- 10
CHAPTER- II	
Economic Cooperation in Central Asia	11-38
CHAPTER- III	
Political And Security Cooperation	39- 63
CHAPTER- IV	
Problems of Regional Cooperation	64-82
CHAPTER- V	
Conclusion	83-87
Bibiliography	88-96
Appendix	97



RUSSIA

KAZAKHSTAN

Ust-Kemenegorsk

Lake Zaysan

Tarbagatay Mnts

Alatau Mnts

Lake Balkhash

Ili

Aral Sea

Chu

Syrdarya

Alma Ata

Lake Issyk-Kul

UZBEKISTAN

Beshkek

Caspian Sea

KYRGYZSTAN

Tashkent

Tien Shan

Kyzilkum Desert
Lake Aydarkul

Fergana Valley

CHINA

Karakum Desert

Samarkand

TAJIKISTAN

Pamir

Khiva

Bukhara

Dushanbe

TURKMENISTAN

Ashkhabad

Amudarya

Karakum Canal

Migrab

Kun-Lun

IRAN

AFGHANISTAN

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The Form in which the dissertation has been presented and ideas expressed are of mine. Thus I, owe the entire responsibility for any shortcomings in this work.

Sudhir Kumar Singh
Sudhir Kumar Singh

PREFACE

Regional cooperation is a symbol of the twenty first century. Today, the systemic structure of international relations rests on regional cooperation. Collective actions of sovereign nation-states are a conceptual and practical challenge to all countries. It is especially obvious in Central Asia, where the states have recently celebrated the first ten years of their independence.

There is immense scope for regional cooperation for development and security in Central Asia. The region's vast oil and natural gas resources have made it an object of intensified international activity and interest. In the context of the intensified global interest in the energy resources of Central Asia, the unstable situation in the region is a cause of concern. The situation has been further compounded by the complex state boundaries inherited from the Soviet period, complex ethnic composition as well as the real and potential threat of Islamic extremism and trans-border terrorism.

The newly independent states of Central Asia cannot solve their numerous problems through unilateral action. Common problems demand a pooling of resources and creation of institutions to coordinate and oversee such cooperation. This naturally takes place at regional level. Central Asian States forming part of one geographic whole share a number of common concerns, possess similar cultures and social structures and were part of a single state system under the Soviet regime.

Both the period and the scope of the study are extremely important because of two reasons. First, the Central Asian Republics are passing through a transitional phase, Secondly, Russia, the former hegemon of the region, is trying to preserve its influence in the region while the other external actors are striving to give a new shape to the national identities of the Central Asian Republics.

Since their independence in 1991, the Central Asian States have been steadily working towards regional cooperation, through their membership in various regional forums such as Commonwealth of Independent States (CIS), the Central Asian Economic Union now called Central Asian Economic Community, the recently set-up Eurasian Economic Community and Economic Cooperation Organization (ECO) which includes Iran, Turkey, and Pakistan. Yet there have been several factors which act as impediments to the process of regional cooperation. Hence this study.

The study consists of five chapters, including the conclusion.

First chapter provides a historico-political and economic perspective of the Central Asian Republics with a focus on the Soviet period (1917-1991). It also deals with the implications of the disintegration of Soviet Union on the economy and society of Central Asia. Second chapter illustrates the process of regional economic cooperation in Central Asia. It also explores the prospects of cooperation in the field of energy and transportation. Chapter three deals with the steps taken by Central Asian states in the field of political, military and defense cooperation. It also analyses the diversification of security relationship of Central Asian states with the west, NATO, OSCE and the UN. In the fourth chapter various problems have been identified which hinder the process of regional cooperation in Central Asia. Last chapter while summing up the

discussion, makes an assessment of the prospects of regional cooperation in Central Asia.

CHAPTER- I
INTRODUCTION

CHAPTER –I

INTRODUCTION

Cooperation among nations has been the focus of the ongoing debate between realism and neoliberalism. Each theory offers a different view on the possibility of achieving cooperation under the anarchic world order. Neo realist theory cites three factors that tend to hinder cooperation among states. These are fear of defection, concern for relative rather than absolute gain and fear of vulnerability under interdependence.¹In the context of Central Asia the first two points can be applied. They also argue that there are two factors that favour greater cooperation among Central Asian states. These are the presence of common threats and existing bilateral and multilateral agreements. On the basis of these factors neorealists also recognize the role of external factors. They conclude that Russia and China will join hands in promoting regional integration in Central Asia .

The functionalist thrust in the regional cooperation theory concerns itself mainly with economic and social aspects of regional cooperation activities .In simple terms, it means that regionalism is a collective action at regional level to achieve national objectives .It is a characteristic phenomenon of the post- world war period.

Geographical Spread:

Central Asia is a collective name for the states of Turkmenistan, Uzbekistan, Tajikistan , Kyrgyzstan and Kazakhstan which declared independence from the Soviet Union in 1991.Geographically, Central Asia occupies a strategic location .The former

¹ Shiping Tang,Economic Integratin in Central Asia :The Russian and Chinese Relationship,Asian Survey vol.XL No. 2 March/April 2000

Soviet Union used this border area as its first line of defence .The region is bounded on the north by Russia , on the west by the Caspian sea , on the east by China and on the south by Afghanistan and Iran . The region witnessed a triangular contest between Britain , Russia and China ,during the late 19th and early 20th century .²

The indigenous Central Asian People after whom the states are named have been inhabiting the region for centuries. But the present states were created during the Soviet period, designed to create homelands for Uzbeks, Tajiks, Kazakhs, Kyrgyzs and Turkmens in their respective territories.

Historical Background:

Historically, the Central Asia has been witness to several migrations, which have shaped the human geography of the region. The Aryans, whose descendants populate vast areas in Asia, Europe and the western Hemisphere migrated from this region over 3000 years ago. In succeeding periods ,other races migrated from Central Asia to South and West Asia as well as to Europe .Among them were Huns, scythians ,Parthians ,Mongols and Turks .The spread of Islam led to the reverse movements of Arabs and Persians into Central Asia .³

Before the Russian conquest, there existed three Khanates on the territory of Central Asia . Bukhara in the basin of the Zeravshan river and Khiva on the lower Amu Darya were older than Kokand which came into existence towards the close of 18th century. These Khanates were economically backward feudal states, with many survivals from slave-owning society. The main occupation of the people was cattle

² K. Warikoo (ed.) Central Asia , Emerging New Order (Har Anand Publication) 364/A,New Delhi 110017,1995.

breeding and horticulture. Very little cotton was produced and even that was of inferior quality. Towns were centres of handicraft production and trade .The territory was rich in natural resources, but the extraction of valuable minerals on a small scale was responsible for their higher cost as compared to that of the minerals imported from Russia. Taxation was heavy, and feudal oppression and exactions by moneylenders held up the growth of handicraft and agriculture. Internal struggle of the various nationalities impeded the economic development of these khanates.⁴ Central Asia remained a turbulent and conflict prone region for much of its history. By the last quarter of the 19th century, Russia had annexed this region and consolidated its hold over it. But it was after the October Revolution of 1917 that a process of intensive cultural and economic integration of Central Asia into a single Soviet state system began under the communist leadership of the Soviet Union.

After the October Revolution, the Soviets introduced modernization of education, culture, science, technology in this backward region. There were radical changes in all spheres of socio-cultural and economic life of the peoples of the region. During the Soviet period, material conditions of the people improved drastically.

Prior to the Bolshevik Revolution, the political culture of the region was medieval. But after the Socialist Revolution the Soviet Union became a federation of fifteen national Union Republics and eight Autonomous Regions. Legally all Union Republics had equal status, but geo-political factors made the Russian Republic superior to the others. There was a single party system in the whole of the Soviet Union. All issues were decided by the Soviet Communist Party in the name of

³ Dr. M. A. Bhatta , Impact of Central Asian changes on south and west Asia , Regional studies , vol. X, No. 2 spring 1992, P5.

‘democratic centralism’. The Soviet authorities abolished the courts of Kazis and introduced the centralized judicial system all over the region.

Soviet Union set for itself the task of achieving economic equality for the peoples of USSR. The Tenth congress of the party (1921) set before itself the aim of liquidating inequality between the various nations. The Twelfth Congress (1923) also called for the elimination of inequality between the nationalities by raising the cultural and economic level of the backward peoples. To overcome this great economic and cultural backwardness huge capital and highly skilled specialists were needed. The Central Asian Republics for these purposes were assisted in diverse ways-politically, financially, technically and culturally.

The financial assistance given to the Central Asian Republics by the Soviet government was very important for their economic development. Sometimes, union subsidies covered 80 to 90 percent of the expenses of some of the Republics. Central Asia was also supplied with technical equipment and machines for industrial enterprises and agriculture. Numerous experienced political functionaries and other specialists also went from Russia to Central Asia. The increase in cotton production in Central Asia made Soviet Union completely free from imports of this product and enabled the Central Asian Republics to earn huge revenue. The Turkmen SSR began to raise the output of oil and oil products. All-round mutual aid and cooperation among the Soviet Republics helped to eliminate their inequality and strengthen their friendship. The generous help rushed to Tashkent from all corners of the country after the severe earthquake of April 1966 is an example of this.

⁴ Devendra Kaushik , No.3 , pp 25-27

Before the October Revolution, Central Asia's industry was very much underdeveloped. Furthermore, it suffered badly during the civil war. It was only in 1928 that the pre-revolutionary level was restored in industry. The cotton-ginning industry which was the main industry of Central Asia was still a little short of the pre-war level at the end of the rehabilitation period (147.9 thousand tons as compared to 177.8 thousand tons in 1913). In oil and electricity, however, a satisfactory rise was registered. The production of oil in Turkestan in 1913 was 13.2 thousand tons. In 1927-28, it rose to 47.7 thousand tons. The generation of power increased from 3.3 million kw hours in 1913 to 34.3 million kw hours in 1927-28.

In March 1927 industrialization of Uzbekistan began. Second Congress of Soviets in the Uzbek SSR considered it necessary to create a textile industry, organize new branches of industry to process agricultural raw materials, carry out an electrification plan and organize the production of agricultural machines and implements. In Marghielan and old Bukhara silk-weaving factories were started. In Ferghana construction of a spinning and weaving factory began and in Tashkent shoe and tobacco factories were opened. Some progress was made in the extraction of oil also.

Between 1927-29 some steps were taken towards the industrialization of Kirghizia also. The Kizil-Kie and Suliukt coal mines were expanded. A cotton-cleaning plant at Kara Su, a silk-winding factory at Osh and two leather factories at Frunze were erected during this period. In Turkmenistan the construction of silk-winding and spinning and weaving factories began at Ashkhabad. In Tajikistan

industrialization began with the first five year plan. Earlier in 1924-25 only a few oil mills and power houses had been built.

Between 1913 and 1959 gross industrial output in Uzbekistan increased 18 times, in Turkmenistan 21 times, in Tajikistan 35 times and in Kirghizstan 55 times.

⁵As compared to these figures the corresponding rise for the whole of the USSR was quite low.

However, the Soviet presence in Central Asia also had certain negative features which adversely affected Central Asian economy. Severing of previous ties with the outside world led to the marginalization of Central Asia. These Republics were dependent on Moscow for its trade and contact with the outside world.

By the 1980s cotton constituted 65 percent of the gross economic output of Uzbekistan. It consumed 60 percent of all of Uzbekistan's resources and employed 40 percent of the Uzbek labour force. Yet Uzbekistan produced only 5 percent of the Soviet Union's textiles, even though 70 percent of the cotton grew there.

A prime example of how the Central Asian region suffered as a result of centralization was the inability of local leaders to exploit the huge oil and gas reserves in Central Asia. In 1970 Central Asia was only producing 4.5 percent of the Soviet Union's total oil output, even though Kazakhstan and Turkmenistan had extensive oil and gas reserves. On the other hand the Soviet state developed Central Asia's hydroelectric power, especially in Tajikistan and Kyrghyzstan, in order to supply European Russia with cheap electricity. Between 1960 and 1985 electricity production rose eightfold in Central Asia.

⁵ Devendra Kaushik, *Central Asia in Modern times*, P. 230.

As the general economic crisis worsened during the 1980s, Central Asia received far less investment than other Republics from the Soviet Union's exchequer. In the period 1980-85 five year plan, investment in Central Asia was less than in any other region of the USSR. By 1989 with Gorbachev's perestroika in full swing the Central Asian economy witnessed further contraction. In 1991, the last year of grants from the Centre, 20 percent to 45 percent of public spending in the Republics was dependent on Moscow. After their independence, hefty subsidies from Moscow suddenly stopped, ruining local government budgets. The overwhelming dependency on subsidies had meant that when prices were raised even an iota, there was an immediate impact on the population.

After independence, there was an overnight 100 to 500 percent price rise in many basic foodstuffs. By May 1993 inflation was running at an annual 1500 percent.

During over 70 years of strong and Centralized Soviet rule, central Asia underwent far-reaching changes, the effects of which have to be taken into account in assessing prospects for the future. The economies of the Central Asian Republics (CARs) were integrated into the Soviet economy so that they were dependent on internal trade within the former Soviet Union to the extent of 57 to 80 percent of their Gross National Product, as against 20 to 25 percent for western countries within the European Community, in 1989.⁶ The broad concept of all round development within the Soviet Union effectively led to a net transfer of resources and investment from the European republics to Central Asia. The CARs have almost 100 percent literacy, and a highly developed infrastructure and Social Services. They inherited a per capita income of over \$ 2000 at the time of independence.

Russia, as the successor great power to the Soviet Union, has its interest in retaining its pre-eminent status whereas the CARs seek to gradually reduce their dependence on Moscow. Their quest for alternative pipeline routes to export their oil and gas to the neighbouring markets is a manifestation of this desire.

The CARs share a basic characteristic of third world economies in that their natural resources were largely utilized and processed in the more developed parts of the former Soviet Union in a colonial style system. As a result they remained relatively backward. Whereas 14.5 percent of the total Soviet population lived below the poverty line in 1989, the figure for Tajikistan was 58 percent, for Uzbekistan 45 percent and 37 percent for Kazakhstan and Turkmenistan.⁷ Other results of the period of Russian and Soviet control are a large Russian population, ranging from 10.4 percent in Tajikistan to 38 percent in Kazakhstan, who dominate the technical cadres, and the emergence of local elites who owed their influence to the communist hierarchy, with close links to Moscow. The local leadership is highly secular in its outlook, and shares Russia's concerns over the resurgence of "Islamic Fundamentalism".

Another major implication of the disintegration of the USSR has been that the declaration of independence of the Central Asian Republics turned the existing Soviet borders into borders between independent sovereign states. Border disputes among Central Asian states became a thorny issue in bilateral relations, having implications for regional stability. To maintain stability in Central Asia, a status quo

⁶ The Economist, London, 1-7 February, 1992.

⁷ The Backgrounder, Heritage Foundation, Washington D.C. No.792, 28-9-90. p 6-7.

policy was strongly advocated by all the Central Asian leaders. Immediately after the dissolution of the Soviet Union, President of Kyrgyzstan, Akayev proposed the signing of an agreement among the Central Asian states on 'maintaining the existing borders and status quo'. Speaking at a press conference in the UN headquarters in May 1992, President Nazarbayev of Kazakhstan also expressed his desire for the maintenance of the status quo in this regard. In February 1995, the three leaders of Kazakhstan, Kyrgyzstan and Uzbekistan reiterated in an agreement that none of them would try to change the status quo of the border demarcation. This policy of status quo has helped in avoiding the serious territorial disputes between Central Asian states.

The collapse of Soviet Union also has serious implications for the Central Asian societies. The Soviet policies not only stressed ethnic and linguistic awareness but also drew the boundaries of the Republics in a manner that exacerbated historical rivalries and tensions by creating large ethnic minorities. There were riots in Kyrgyzstan in 1990 between the Uzbek and Kyrgyz communities, while the instability in Tajikistan is also rooted in ethnic tensions. The disintegration of Soviet Union has necessitated a collective approach towards the regional issues of common concern. On the question of civil war in Tajikistan the Central Asian states have taken a collective approach keeping in view their common concerns. After the outbreak of civil war in Tajikistan, the spread of the war across national borders was a major concern for other Central Asian governments. Central Asian leaders have frequently met in an effort to seek resolutions. They supported the Russian proposal to establish a peacekeeping force in Tajikistan. Relations with Moscow have always been at the top of the foreign policy agenda of all five Central Asian states, both for political and economic reasons.

Friendly relations with Moscow are also helpful in promoting ethnic harmony between the Russians and the main ethnic groups in all five Central Asian states. To alleviate the tensions between the Russians and other main nationalities in Central Asia, both the Turkmenistan and the Tajikistan governments have implemented a policy to allow dual citizenship for the Russian residents in the two states. Thus the Russians can have the nationality of their resident country as well as Russian nationality. Despite pressure from Russia, Kyrgyzstan and Kazakhstan haven't recognized dual citizenship of Russian residents there. In March 1994, at a meeting in Moscow between Yeltsin and Nazarbayev, it was agreed that Russian residents in Kazakhstan and Kazakhs living in the Russian Federation should be allowed to migrate freely to Russia / Kazakhstan. They should automatically obtain the nationality of the country to which they migrate.⁸

⁸ Moscow News, 26 June 1994.

CHAPTER-II

ECONOMIC COOPERATION IN CENTRAL ASIA

CHAPTER - II

ECONOMIC COOPERATION IN CENTRAL ASIA

Regional economic cooperation is part of the trend in economic globalization. The appearance and growing importance of such organizations and international trade frameworks as the North American Free Trade Agreement (NAFTA), the Association of South East Asian Nations (ASEAN), and the European Union (EU) among others, indicate the forward movement of economic integration via regionalization. It shall be no exaggeration to say that participation in some degree of trans-boundary economic integration is necessary for any state or region to compete effectively in today's global economy. Economists refer to "Zero Sum Games" and "Non-Zero Sum Games". In a Zero Sum Game, if one person wins, it is because somebody else has lost. In a Non-Zero Sum Game, it is possible for both sides to gain equally. And that is precisely the aim of economic cooperation. However, the challenge is to understand and respect each other's strategic interests and economic concerns, and to find strategies that allow each government to advance its own interests within the framework of a common programme of action.

Economic cooperation can take many forms. It can mean, a simply bilateral trade agreement between two countries on tariffs and trade barriers or a full-scale integration with single currencies, labour markets, and economic policies, as is taking place in Western Europe. This chapter, outlines the current economic position in Central Asia by discussing the requirements for regional cooperation and also the prerequisites for future transformation process in the individual Central Asian

countries. It also analyses the steps towards regional economic cooperation that have been taken till date.

The economic basis for regional cooperation in Central Asia has been shaped by the economic structure inherited from the Soviet Union. In former USSR, the supply of raw materials, particularly cotton, represented one of Central Asia's primary economic functions. Simultaneously, however, all of the Republics had infant industries for the manufacture of technologically sophisticated products. Therefore, it would be simplistic to view the Central Asian countries strictly as suppliers of raw materials, although these have been of central importance to the foreign trade strategies of the individual countries.¹

Table 1. Selected Structural Data for Central Asian Republics²

	Kazakhstan	Kyrgyzstan	Uzbekistan	Tajikistan	Turkmenistan
Population (millions) Mid – 1993	17.0	4.6	21.9	5.8	3.9
Area (Thousands sq. km.)	2,717	199	447	143	488
Adult literacy % 1990	3*	3	3	2	2
Life Expectancy at Birth (Years) 1993	70	69	69	70	65
GNP Per Capita (US \$)	1720	850	970	470	----
GNP Per Capita avg. annual growth % 1980- 1993	-1.6	0.1	-0.2	-3.6	----
GNP (millions US \$)1993	24,728	3915	20425	2520	5156
Share of Agriculture in GNP % 1993	29	43	23	33	32

¹ Wacker, 1994, p-3

² World Development Report, 1995, pp 162-163, 166-167, 194-195.

Current Account Balance (million US \$) 1993 ^a	-1479	-123	-405	-----	927
Current Account Balance (% of GNP) 1993	-5.98	-3.14	-1.98	----	17.97

Intra- Regional Trade of Goods³

Exports To From	Kazakhstan	Kyrgyzstan	Tajikistan	Uzbekistan	Xinjiang, PRChina
Kazakhstan		Petroleum, Coal, Wheat, Nonferrous metals, Chemicals & Plastics	Wheat, Flour, Petroleum Products, Tractors	Gasoline, Wheat, Clothing, Chemicals, Rubber, Copper, Wool, Meat	Steel, Ores, fertilizers, Textiles, Hides, Cotton
Kyrgyzstan	Electricity, Antimony, Sulphur, Tobacco, Ores & Scrap, Textiles		Asbestos & Cement, Flour, Natural Gas	Electricity, Meat and Milk, Coal, Ores & Scrap, Wool, Cloth, Sugar, Medicines	Hides, Wool, Cotton, Metal
Tajikistan	Aluminium, Ore, Ethanol, Fruits	Electricity, Ethanol, Ore		Electricity, Aluminium, Rail Services	Cotton
Uzbekistan	Natural Gas, Electricity, Cotton, Consumer goods,	Natural Gas, Fertilizer, Fuel, Oil, Gasoline	Petroleum products, Fertilizers, Cement, fabric		Cotton, Fertilizers, Wool
Xinjiang, PRChina	Clothing, Food, Sugar, Electronic goods	Clothing, Shoes, Construction Materials	Cars	Clothing, Shoes, Electronics	

^a Before Public Transfers.

³ Source : Asian Development Bank, Regional Economic Cooperation in Central Asia, July 1998.

As Table 1. Suggests, Central Asian states can be categorised into two distinct groups. On the one hand, Uzbekistan and Turkmenistan, where the economic output since 1991 has decreased by about 17 or 26 percent respectively; on the other hand, Kazakhstan, Kyrgyzstan and Tajikistan, with decrease in economic output ranging between 43 and 50 percent since 1991.⁴ Kazakhstan, Kyrgyzstan and Tajikistan also recorded dramatic slump in industrial production, whereas Uzbekistan was able to maintain its industrial production near 1991 levels.

Without going into a more detailed analysis of the development of individual Central Asian Republics, an examination of the overall economic development shows that despite similar beginnings, structural adjustment and transformation processes have produced highly divergent results. It has important bearing on the regional cooperation efforts in Central Asia. Interestingly, till date the results of the transformation process in Kyrgyzstan, a country that employs many foreign advisers under the direction of the IMF and has been following a very rigid, monetarist policy of stabilization, are in some cases worse than those of Tajikistan, a country ravaged by civil war.⁵

Former structures of industrial production in Kazakhstan, Kyrgyzstan and Tajikistan have been destroyed. However, the process of developing new methods of industrial production has not yet been successfully completed. These highly divergent methods of transformation have had significant consequences for the process of regional cooperation in Central Asia. Unless the structures now in place are substantially altered, we can distinguish between two types of economic policies. At

⁴ Heribert Dieter Regional Integration in Central Asia, Current Economic Position and Prospects, Central Asian Survey (1996), 15(3/4),pp374.

one hand of the spectrum are Kazakhstan and Kyrgyzstan which have been heavily influenced by Anglo-Saxon advisers. Fundamental elements of their policies are the deliberate relinquishment of governmental control and the high level of importance assigned to the regulatory mechanisms of the free market. On the other hand we have Uzbekistan and to some extent, Turkmenistan. Uzbekistan has followed the People's Republic of China in its transition from a planned to a free-market economy. It places great emphasis on public control, gradual transformation and strong government. In its foreign trade policy, Uzbekistan has been following a mercantilist course similar to that of many East Asian and South-East Asian countries. In other words, Uzbekistan government rejects the large-scale opening of its domestic market that has repeatedly been demanded by the Bretton-woods institutions and has been implemented in Kazakhstan and Kyrgyzstan with at times serious consequences.⁶

Ever since their independence, the Central Asian Republics have experimented with a wide range of institutional arrangements to coordinate economic integration with the former Soviet states as well as with other neighbouring states of the region. It would, therefore, be worthwhile to analyse the attempts made by these states in the direction of regional economic cooperation.

Past Efforts at Regional Cooperation

The former Soviet Republics of Central Asia did recognize the need for cooperation, earlier than their independence. Initial attempts at creating a single Central Asian economic territory were made relatively early, even prior to the collapse of the USSR. The integration of Central Asia was first discussed in 1990, during a

⁵ cf, Priewe & Herr , 1995.

⁶ cf Helmschrott et. al, 1995, p19.

conference in Almaty. Even with the breakup of the former Soviet Union there have been several attempts to engage in some kind of economic cooperation. These include:

- The CIS (Commonwealth of Independent States) formed in 1991 by 11 former Soviet Republics to provide an institutional framework within which a “Single Economic Space” could be maintained. However, the framework has not been able to overcome the military, political, and economic differences that separate these Republics.
- The ECO (Economic Cooperation Organization) established in 1965 by Turkey, Iran and Pakistan was Joined by the five Central Asian Republics in February 1993.
- The Central Asian Union (CAU) founded in 1994 by Kazakhstan, Uzbekistan and Kyrgyzstan was later Joined by Tajikistan ,which became an observer in 1996 and a full member in 1998.⁷
- The Customs Union comprising Belarus, Kazakhstan ,the Russian Federation and Ukraine was formed in January 1995. This may be dissolved as a condition for entering the WTO.
- The Inter- state Council between Kazakhstan, Kyrgyzstan, and Uzbekistan to provide a permanent mechanism for discussing and reviewing issues of mutual economic and political interests (particularly concerning water sharing).
- Standing conference on sustainable development between the five Central Asian Republics to address three critical issues namely, economic and social

⁷ R.Yu, “Economics is the foundation of the Union : Meeting of the Heads of three states of Central Asia,” Moscow Delovoy Mir, January 15, 1997, in FBIS, Daily Report/Soviet Union, January 15, 1997 and Sergei Guly, ‘Three plus one play in Tashkent .’ Noviy Izvestia ,March 28,1998, in CDSP,50;13 (1998), P.18.

development and regional cooperation, regional demographic problems and environmental concerns and national disasters.

- Central Asian Bank for Cooperation and Development was set up as part of a broader effort to create a common economic space in Central Asia.

A brief analysis of the working of these regional cooperation measures among the Central Asian Republics is made below.

Let us begin with the CIS. The question remains whether the CIS represents a suitable platform for intensive cooperation among the successor states of the Soviet Union. At the time of its establishment in December 1991, there had been hopes that it would guarantee a single economic territory.⁸ However, as the intervening years have shown, the CIS has not been successful in maintaining a commonwealth of states, largely due to its decision making processes.⁹ Instead it is divided into three distinct sections; a nucleus (Russia, Belarus, Kazakhstan, Kyrgyzstan), and a first ring (Armenia, Georgia, Tajikistan, Uzbekistan) and a second, far more distant ring (Azerbaijan, Moldova, Turkmenistan and Ukraine). It is highly unlikely that the CIS will develop into an integration project that would create an economic and monetary union comprising all member countries, particularly in the light of the experiences of the years 1991-95. However, there are definite possibilities for close cooperation below the level of the CIS.

Although Russia's ties with the Central Asia Republics remain strong and it continues to be their most important trading partner, the country's economic presence

⁸ cf. Sagorskij, 1995, p 263.

⁹ Sagorskij 1995, P 264.

¹⁰ Markhamat Khasanova, "Kazakhstan : Foreign Trade Policy", in Central Asia : The challenge of Independence, pp 169-207.

in the region is on the decline. The volume of Central Asia's trade with the CIS countries has been falling steadily. Evidence for this can clearly be seen in the trade data for the two largest economies in Central Asia, namely, Kazakhstan and Uzbekistan. In the case of Kazakhstan, the share of the country's total exports that was destined for CIS states fell from 56% in 1993 to 44% in 1997, while that of total imports declined from 60% to 53%.¹⁰ Similarly, from 1994 to 1997, the volume of total Uzbekistan's imports from the CIS states fell from 52.6% to 32%, while that of total exports going to these states declined from 66.7% to 22.8%.¹¹ Such negative trends make the prospects of economic cooperation under the CIS framework look remote.

However, the very fact that the four states of the CIS-Russia, Belarus, Kazakhstan, and Kyrgyzstan have reached an agreement to set up a Customs Union in a move towards creating a common market, marks a new stage in the direction of the Central Asian regional cooperation. Russia is all set to cast off its earlier stance of distancing itself from its 'poor cousins' in Central Asia who were forced out of the common rouble zone in the hope of speeding up the economic reforms. Moscow has of late been compelled by the existing circumstances to encourage the integration process within the CIS. The eastward expansion of NATO, the threat posed to its territorial integrity by international terrorism supported by religious extremism and dismal failure of free market reforms which it had expected to complete faster by shedding the 'dead weight' of the Central Asian Republics dependent upon heavy

¹⁰ Markhamat Khasanova, 'Kazakhstan: Foreign Trade Policy,' in *Central Asia: The Challenge of Independence*, pp 169-207.

¹¹ Eshref F. Trushin, "Uzbekistan : Foreign Economic Activity" ; in *Central Asia: The challenge of Independence*, pp 208-33.

central subsidies etc, are pointers to the change in the perspective of Kremlin on closer integration of the Central Asian states in the CIS. The new approach favored a multi-speed integration of the CIS depending upon the willingness of the individual states.

Broadly speaking, the CIS states may be divided into three groups. The first ring of states favouring closer military and economic union include Russia, Belarus, Kazakhstan and Kyrgyzstan. In the second group Armenia, Tajikistan, Georgia and Uzbekistan may be included. The third group consists of Azerbaijan, Moldova, Turkmenistan and Ukraine, which are opposed to integration whether military or economic. The situation is somewhat fluid and the composition of these three groups keeps on changing. Thus Tajikistan has already moved on to the integrationist first group and Georgia has recently joined the third group. Uzbekistan, has of late, started taking a more favorable view of cooperation with Moscow, at least in the military sphere. This is particularly so following the attempt by religious extremists on president Karimov's life in Tashkent on 12 February 1999 and the activation of Islamist terrorists groups in Uzbek cities of Namangan, Andijan and Yangiabad. Tashkent extended a warm welcome to the acting Russian President Vladimir Putin in January 2000 and declared full support for Moscow's Chechnya war.

Kazakhstan is an enthusiastic supporter of integration with Russia within the framework of the Eurasian Union. It also vehemently supports Central Asian economic integration. President Nazarbayev finds no contradiction in such a course. The division of the Republic into the Russian dominated north and the Kazakh dominated south dictates this stance of Nazarbayev. In the economic sphere Kazakhstan is closely linked with Russia. The President of Kazakhstan is not satisfied

with the pace of integration followed within the framework of CIS. It looks upon the Eurasian Union proposal with Russia as a solution for carrying out the economic reforms by forming a Monetary and Economic Union without sacrificing state sovereignty.

Uzbekistan is opposed to the Eurasian proposal of the president of Kazakhstan and does not favour a closer economic union with Russia. Tashkent supports the Central Asian Economic Community with Uzbekistan playing a key role in it. Kazakhstan on the other hand views the Central Asian Economic Community as but an initial step towards the formation of a Eurasian Union. It feels that stronger Central Asian Economic cooperation will help Kazakhstan in withstanding the Russian pressure from the north.

On 26th October 1999 Customs Union leaders met in Moscow and came out with the Moscow declaration. It was signed by the Presidents of Belarus (Alyaksandr Lukashenka), Kazakhstan (Nur Sultan Nazarbayev), Kyrgyzstan (Askar Akayev), Russia (Boris Yeltsin) and Tajikistan (Emomali Rahmonov).¹² According to the declaration, the main objective of integration at the present stage is the completion of the creation of the Customs Union, which is considered to be a necessary condition for boosting the development of the national economies, the improvement of living standards and the promotion of steady democratic development.

Positive economic results have been achieved within the framework of the Customs Union. The formation of a common legal space has been started, and the directions of the harmonization of national legislations have been outlined. Participants in the

meeting expressed the resolve to ensure the fulfillment of the priority tasks within the framework of the development of integration processes for the near future. These include the effective functioning of a common goods market, services, capital and manpower, the creation of conditions for the stable restructuring of the national economies, as well as the implementation of coordinated tax, monetary, credit, financial, trade, customs and tariff policy.¹³

Chief Customs Officials of member-countries of the CIS participating in the Customs Union of the five Republics on 7th December 2000 at Dushanbe adopted a number of documents towards prompt and effective creation of the common economic expanse.¹⁴ The Chairman of the Russian (State) Customs Committee, Mikhail Vanin, briefed the participants in the meeting on the draft documents on cooperation between the customs bodies in the sphere of protecting human rights and intellectual property, on single ways and methods of using automatic information systems in monitoring the trans border transportation of goods.

In addition to integrating the Central Asian states within the framework of the CIS, there are other possible vehicles for strengthening economic cooperation. One step discussed at the beginning of the transformation process was cooperation within the framework of the Economic Cooperation Organization (ECO). The ECO was established in 1965 by Turkey, Iran, and Pakistan as part of the first wave of regional integration projects. After the collapse of the USSR, the ECO was revived in 1992 with a conference in Tehran. In February 1993, the five Central Asian Republics of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan participated in a

¹² Summary of World Broadcast, BBC, SU/3677/A/1, 28 October, 1999.

¹³ Summary of world Broadcast, BBC, SU/3677/A/1 28 Oct. 99



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follow-up conference in Quetta (Pakistan) together with the founder members to usher in a new era of economic cooperation.¹⁵

Because of its extra-regional moorings, the ECO has a very low probability of success. Its three important members Iran, Pakistan and Turkey, have tried to use this organization to promote their own interests in the Central Asian states. The differences between the participating countries are too great to permit them to undertake regional cooperation projects. Iran considers ECO as a step toward setting up an Islamic Common Market as a counterweight to the west. Such an approach is not shared by Turkey.¹⁶ Uzbekistan's President Islam Karimov looks at the ECO as a particularly trade and economic organization which does not permit any attempt at its politicization.

This lack of community spirit among Central Asians is understandable considering that they are still in search of their real identity.¹⁷ These states have joined ECO so that the organization serves their needs, not vice versa. In fact Central Asian leaders realize that they are not economically independent from Russia yet. Nevertheless, they are trying to break free, although not all to the same degree or with the same pace. Thus, one motive behind their membership in ECO is that they intend to avoid the hegemony of the Russian Federation by increasing their policy options via regional bilateral and multilateral cooperative arrangements.¹⁸

¹⁴ Summary of World Broadcast, BBC, SU/4019G/1, 9Dec. 2000

¹⁵ Freitag wirminghaus, 1993, P56.

¹⁶ Development and cooperation, 3/1993,P6

¹⁷ Fuller, op cit.

¹⁸ Ali Banuazizi and Myron Weiner, *The New Geopolitics of Central Asia and its Border-land* (Bloomington IN: Indiana University Press, 1994)

Another motive is that the collapse of the Soviet Union has necessitated the integration or closer association of this region with ECO. Russian economic problems hinder Moscow's economic capacity to adequately assist the former Soviet Republics. In order to find reliable economic assistance Central Asian Republics need to look elsewhere. Cooperative arrangements with Iran, for example, have both intrinsic and instrumental values for these Republics at their present stage of development. Particularly for Kazakhstan and Turkmenistan, the intrinsic value of Iran is its experience and know-how about the oil and gas industry. In addition, there is the market potential as fossil fuel products from these Republics can easily reach outside market through Iran. Moreover the instrumental value of Iran involves access to its roads, railways, ports and communication networks, which provide these landlocked states access to the international market. The completion of the Tejend- Sarrahs - Meshed - Bandar Abbas railway line has linked Central Asia with the Persian Gulf.

The ECO has, however, not been quite successful in diverting the direction of Central Asian trade. The volume of intra-ECO trade is also very low. It accounts for less than 5% of member states' total trade, which is in sharp contrast to more than 15% each for NAFTA, ASEAN, and EU.¹⁹ But this organization has some creditable achievements especially in the field of transport and communications, which will have a significant impact on the international energy market.²⁰ Important regional institutions like an ECO Trade and Development Bank, an ECO Reinsurance Pool and

¹⁹ Shiping Tang, Economic Integration in Central Asia : Russian and Chinese relationship, Asian Survey, Vol.XL, No.2, March/April 2000, P369:

²⁰ Jim Bodgener, 'Iran and Turkey get moving' Energy Economist, No 154 (August 1994 ,PP-12-13.

an ECO Air Lines are also planned to be established to facilitate economic interaction within the region.

Another important organization for economic cooperation in Central Asia is Central Asian Union. Founded in 1994, it has a “three-plus-one” structure in the sense that Kazakhstan, Uzbekistan and Kyrgyzstan were the founder members and Tajikistan joined it later. It became an observer in 1996 and a full member in 1998.²¹ There is immense prospect of economic cooperation among the member states under the aegis of CAU. However, at present the market formed by the Union is too small and intra regional Central Asian trade has been decreasing, even as the region’s total trade with outside states increases. Trade data shows that total exports from the five Central Asian Republics amounted to US \$ 13.78 billion in 1996, 1.5 times increase over the 1994 level. However, intra-regional exports over the same period actually fell from US \$ 2.1 billion to US \$ 1 billion.²²

Central Asian Economic Union which has been renamed as the Central Asian Economic Community in 1998 and joined by Tajikistan has made a modest progress in the direction of regional cooperation. It has identified about 40 joint projects and established a Central Asian Development Bank to execute them. Out of these 40 projects the focus is currently on 12 important and viable ones. In the field of water resource management notable success has been achieved by setting up the Syr Darya consortium to direct the allocation of water in this river and construction of reservoirs

²¹ Shipping Tang, Economic Integration in Central Asia: The Russian and Chinese Relationship, Asian Survey, vol. XL, No.2, March / April 2000, P369.

²² Boris Rumer and Stanislav Zukov, “Economic Integration in Central Asia ; The challenge of independence .PP 104-05.

and dams in Kyrgyzstan, Uzbekistan and Tajikistan. This has encouraged the taking up of the task of a similar agreement on the Amu Darya water.

Comprehensive issues of mutual interest and future bilateral and multilateral cooperation were discussed in the meeting of the heads of State Council of the Central Asian Economic Community(CAEC) in the Tajik capital Dushanbe on 14 June 2000. A number of documents and agreements were signed among the Economic Community member countries at the end of the summit. In the summit it was pointed out that the meeting would facilitate the reliable basis of legal agreements on qualitatively upgrading friendship and mutual cooperation among the Economic Community member countries.²³

Kyrgyz President Askar Akayev who chaired the council of the Central Asian Economic Community(CAEC), said in his welcoming speech that “over the past five years of the existence of the CAEC, the countries of association have achieved certain results in their efforts for economic stabilization. Year 1999 was especially successful. GDP in the countries participants of the CAEC averaged 70.6 percent in 1999 compared with that in 1990. This figure has exceeded the corresponding figures in the CIS and in other regional unions, which have been set up with the participation of CIS countries.”²⁴ The further integration of the Central Asian states is essential, which will open vast opportunities for tackling common problems.

There were several essential issues on the agenda, which would promote cooperation within the framework of the Central Asian Economic Community. In the Summit they chalked out a strategy of the integrated development of the Central Asian

²³ Summary of World Broadcaste, BBC, SU/3868G/1, 16 June 2000

²⁴Summary of World Broadcast, BBC, SU/3869/G-1 17 June 2000.

Economic Association for a period until the year 2005. This is a very important medium term document on which they have been working over the past two years. The fundamentals of the integrated development were already drawn up in Tashkent in 1998. .

It must be noted that the relatively similar economic structure of the Central Asian countries presents certain disadvantages in their effort at regional economic cooperation. The economies of the countries involved are too similar and do not sufficiently complement each other. They produce roughly the same set of goods and as a result the market for them lies elsewhere. This is one factor which has hindered the pace of economic cooperation within the framework of CIS,ECO as well as CAEC. However, despite these structural limits the Central Asian states have pushed through the agenda of economic cooperation even outside these forums. For example, the Central Asian Summit held in Bishkek in June 1999 recommended the adoption of effective measures for creating a mechanism of the stage-by-stage formation of a single economic space in the region by AD 2000. The summit emphasized the need to create conditions for effective multilateral trade and economic cooperation through agreements on measures for regulating bilateral and multilateral relations. This was to be done in the spheres of regional transport and communications, water, fuel power and investment resources, creation of favourable conditions for reciprocal and joint investment, free passage of goods, capital and manpower; guarantee of ecological safety and attraction of investments for the member states of the community; and

further development of production cooperation on the basis of long-term programmes for developing the main sectors of the economy.²⁵

The first ever Ministerial Conference on Economic Cooperation in Central Asia was hosted by Asian Development Bank on 25 and 26 March 2002 at its headquarters in Manila. High level government officials from the People's Republic of China, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan participated in this first major economic cooperation meeting in Central Asia since the events of September 11, 2001. The conference aimed at providing guidance in prioritizing regional investment needs and in mobilizing resources to finance them. It also provided an occasion for concerned countries to discuss areas for better coordination as well as cooperation in the context of the reconstruction of Afghanistan.

Although all the Central Asian Republics are trying to diversify their trade links and have formed many regional cooperation organizations, yet they are increasingly realizing the political and economic importance of Russia both as an input supplier as well as a market. The prospect of a revival of economic growth in Russia has also generated new interests in improved regional and economic ties. Kazakhstan, Kyrgyzstan and Uzbekistan have formulated the plan for the creation of an Integrated Economic Area. This plan envisages the implementation of 60 joint projects in nine sectors of these three economies. Various studies conducted by many multilateral organizations ranked all the Central Asian economies far behind other transitional economies as far as the implementation of economic reforms is concerned. The World Bank studies have also prepared a liberalisation index of transitional

²⁵ Summary of World Broadcasts, part II, SU/3574G/1, 30 June 1999.

economies to represent the duration as well as the intensity of reforms. In this index, 30% weightage is given to internal market liberalisation, 30% to external market liberalisation and another 40% to privatisation of small and large enterprises and banking reforms. According to these studies, Central Asian economies are far behind other transitional economies. Within the Central Asian region, Kyrgyzstan is a front-runner in economic reforms and is followed by Kazakhstan, Uzbekistan and Tajikistan. Turkmenistan is the least liberalised economy in Central Asia.

Cooperation In Energy and Transportation

Energy is the most abundant and valuable natural resource of the countries of Central Asia. Kazakhstan has large reserves of oil and coal. Uzbekistan has significant reserves of gas. The Kyrgyz Republic produces significant amounts of hydroelectric power. These energy reserves form a basis for economic growth and development. With energy exports promising to generate foreign exchange revenues, Central Asia is poised to become a major world supplier of energy, especially in the oil and gas sectors.

The energy sector is a natural magnet for economic cooperation. But because of each government's post-independence apprehension of being dependent on outside sources for energy, agreements are not so easy. Generally, national policies so far have favoured self-sufficiency and substitution even at the expense of trade and rationalization of energy use. The failure to move to new agreements, based on market realities has left energy trade in a complex structure of state-to-state barter arrangements that often reflect the earlier Soviet mode.

Although Central Asia has abundant energy resources, these are unevenly distributed among the Central Asian states. This uneven distribution of resources is shown in the table given below.

Projected Energy surpluses and Deficits, by country, for 2005

Energy form	Kazakhstan	Kyrgyzstan	Uzbekistan
Oil	Surplus	Deficit	Surplus
Gas	Surplus	Deficit	Surplus
Electricity	Deficit	Surplus	Surplus
Coal	Surplus	Deficit	Deficit

The pattern of surplus and deficit illustrated in the table provides a strong rationale for energy trade among the countries. Two other factors that increase the need for regional cooperation in the energy sector are China's requirement for energy to meet projected deficits and the reduced estimate for oil production in the Tarim River basin. Both are fundamental reasons for the Peoples Republic of China to become more fully engaged in the economic activities of neighbouring former Soviet Central Asia.

Regional cooperation is not a new concept in the energy field. A successful far-reaching European Energy Charter treaty, which has been signed and ratified by

Kazakhstan, Kyrgyz Republic and Uzbekistan, is already serving as an example of regional economic cooperation in Central Asia.

Although it is difficult to transfer experience from one region to another, two fundamental ideas adopted by the Energy charter can be considered critical for Central Asia. These are;

(a) to promote a consensus in all Central Asian countries on the central objective of energy policy, such as conservation, diversification of supplies, integration of networks, environmental conservation, and nuclear safety; and

(b) to create political, legal and, if necessary, financial frameworks to rationalize the medium and long-term supply and consumption of energy in Central Asia.

The development of energy resources is complicated by the complex set of issues confronting the countries in Central Asia. The governments of the region have tried to delicately balance the need to retain maximum benefits from their countries' energy resources with the need to provide sufficient incentives to private investors to encourage rapid development of the sector. Most infrastructure needs have been identified, priorities have been established, and much of the analysis prepared. There is a strong database for analyzing possible projects and policy reforms, but there is still to do in developing a consensus among investors and national governments on what actions to take.

There have been several favourable movements toward mutual solutions to meet respective energy needs. Supported by the Asian Development Bank, the Central

Asian governments have set the rehabilitation and improvement of an inter-connected electric power grid in the region as a high priority. This grid will provide the basis for expanding electricity production and export as well as stabilize electricity supplies throughout the region.

Another proposed project is the completion and renovation of the gas pipeline from Turkmenistan and Uzbekistan through the Kyrgyz Republic to Almaty in Kazakhstan. The project will involve the transshipment of gas from Central Asia to East Asia. Measures such as data and technology exchange through joint development efforts, as well as joint training programmes, could help stimulate cooperation in the strategic energy sector. They have also laid the foundation for progress in more difficult areas of cooperation, such as joint monitoring of petroleum exploration and development in the Caspian and Aral seas. Such gradual, step-by-step confidence-building efforts, involving individuals and institutions, could help to reinforce government and non-government relations in this area and eventually evolve into a more formal multilateral organization concerned with strategic energy sector for the region.

Efforts are on to assist this evolution by multilateral non-government conferences on issues of mutual concern—for example, creating realistic supply and demand schedules and patterns for a Central Asia Electricity and Gas Grid, and understanding the implications of these patterns for national development plans. Recent talks suggest the creation of a Central Asia Energy Forum to analyze these questions and other aspects of energy resource development and use, including supply and demand agreements. A Central Asia Pipeline Organization is recommended to

monitor oil and gas exports from the region and set up regional institutions consistent with the energy charter. Over the longer term, Turkmenistan and Tajikistan could also be included in such efforts. Turkmenistan is the world's most important newly emerging gas-producing country, while Tajikistan has substantial potential for the generation of hydroelectric power.

Conferences and workshops in the region are also recommended to facilitate regional dialogue, introduce the idea of a Central Asia Energy Forum, promote regional cooperation in energy and adherence to an Energy Charter, and facilitate implementation of one or more of the proposed energy projects.

As areas of cooperation are broadened, the Central Asian Republics try to achieve it primarily in three directions. First, their efforts focused on the region itself. Second, they are trying to achieve a network within the easily accessible CIS framework. And third, they are trying to avail the opportunities offered to them from outside the post-Soviet space.²⁹

The former economic integration of the Central Asian Republics within the Soviet Union drove their transportation infrastructure toward Moscow. The roads were developed to serve the monolithic Soviet economy and links with neighbouring countries had no priority. However with the disintegration of Soviet Union in 1991, the Central Asian states have embarked on exploring other avenues in transportation. The completion of the Tejen-Saraks-Meshed-Bandar Abbas railway line has linked Central Asia with Persian Gulf. India, Iran, and Turkmenistan concluded a tripartite transit agreement for utilization of this route. By joining the Meshed-Tehran rail link,

Beijing has now been connected to Tehran and Istanbul through Urumchi, Almaty and Tashkent. According to experts the Trans-Asiatic railway line will be carrying a load of 7 to 8 million tons per year. Agreements signed by Uzbekistan, Azerbaijan, Turkmenistan and Georgia have also opened the Trans Caucasus rail route to Europe which will enable the land locked Central Asian region to join the global trade and economic mainstream.

Uzbekistan and Turkmenistan have also signed agreements for construction of a gas pipeline to Pakistan through Afghanistan. Work has already begun on the pipeline from Turkmenistan to Iran. Agreement on the construction of an oil pipeline from Azerbaijan to the Turkish port of ceyhan on the Mediterranean through Georgia has also been concluded in 1997. We already have one major paved road corridor connecting the countries in Central Asia – the east-west highway that links Tashkent with Almaty. This road runs beyond both of these cities, to the south-west of Uzbekistan, with further links to Turkmenistan, to the Kazakhstan-China (Xinjiang) border at Horgos and onward to Urumqi in the east. Some Portions of the road have also been upgraded in Xinjiang.

Impediments to Regional Cooperation in Energy

(a) Lack of Pipeline Infrastructure:

The most significant impediment to expanding energy trade among the Central Asian Republics is the absence of adequate transportation infrastructure

²⁹ P.L.Dash, 'Oil Transport and Trade : Dilemmas and options Facing Kazakhstan and Turkmenistan', in *Geopolitics and Energy Resources in Central Asia and Caspian Sea Region*(ed) by Shams-ud-Din, Lancers Books 2000, pp.93.

particularly in the oil and gas sectors. Unless there is the pipeline to move those resources, their value would remain limited.

Most roads, railroads, and oil and gas pipelines linking the Central Asian Republics to world energy markets were designed to transport products to Russia, rather than among the countries of the region, and they still pass through the Russian Federation. Russian officials charge hard currency for shipment of industrial commodities on rail and roads through their territory to the coast or to Europe. Although energy exports generate hard currency, the lack of foreign exchange and the tariffs charged by the Russians have hindered Central Asian exports. About 65 percent of the region's oil and gas pipeline system is also under the control of the Russian Federation.

Inadequate pipeline infrastructure has been particularly harmful to Kazakhstan, which has been unable to benefit from the vast oil reserves in the western part of the country. The problems in establishing export routes to Europe have led the country to consider alternative routes, including eastward to Xinjiang region of China. Other concerns, such as reducing economic dependence on the Russian Federation are also being considered in planning pipeline routes.²⁶ For the Kyrgyz Republic, the problem is lack of a means of exporting electricity to potential markets in Xinjiang region of China, India and Pakistan, and the lack of rail transportation to develop and export its own coal resource.

(b) Emphasis On Self-Sufficiency and Independence:

²⁶ James Dorian, *Oil and Gas in Russia and the Former Soviet Union*, Financial Times, London, Management Report, 1997.

Self-sufficiency is being promoted at the cost of looking for alternatives in which to trade and to expand energy use among the countries themselves. Throughout the region, energy policies have traditionally discouraged imports while encouraging exports. These policies aimed at building strong domestic energy industries and energy self-sufficiency, were for many decades justified in the name of national security. Both the Peoples Republic of China and Soviet Union believed that energy sufficiency was so important that dozens of uneconomic mines and deposits were developed at extraordinary cost. Modifying this attitude has proven difficult, even through the Soviet Union collapsed in 1991 and China abandoned its energy self-sufficiency policies in 1993.

Uzbekistan officials, for example, have openly expressed concern about increasing sub-regional cooperation in energy particularly oil and gas, because they consider their energy industry to be vital to national security and economic development. These concerns were expressed at Uzbekistan's first international Oil and Gas Conference and Exhibition held in Tashkent on 22-23 May 1997. At the exhibition, government officials said that their policy was "to ensure a continuous, adequate, and economic supply of energy to ultimately achieve self-sufficiency in the country's energy industry." Government's recently released energy strategy of the Republic of Uzbekistan until 2010 advocates reducing dependency on foreign supplies of energy and achieving dramatic energy savings through the acquisition of advanced technologies and equipment in heavy industry.

Kazakhstan and Kyrgyzstan have similar concerns about energy dependency. Kazakhstan is contemplating producing synthetic oil from Karaganda and eastern

Kazakhstan coal deposits to avoid dependency on Uzbekistan oil in southern Kazakhstan. And the Kyrgyzstan government has made it a high priority to build a railroad to its own coal deposits so that it can avoid importing coal from Kazakhstan.

These policies reflect, in part, isolationist or mercantilist tendencies that are often found in newly independent countries facing unprecedented economic difficulties and the formidable task of institution building. However, isolationist tendencies also reflect the experiences of inter-republic trade since independence, when payment difficulties resulted in large arrears. The reluctance to encourage energy inter-dependence, reflecting the poor experience of the recent past, becomes self-fulfilling and self-perpetuating.

The Kazakhstan delegation at the workshop drew a firm distinction between self-sufficiency and independence, saying: “our strategy is drawn not on independence of the country but in providing a certain level of security for the country, The term independence denies all possibility of cooperation, but security helps us develop cooperation in all kinds of fields including energy.”

(c) Unstable and Untested Policies:

Economic policies in Central Asia have been unstable since the breakup of the Soviet Union in 1991, and especially since the November 1993 collapse of the ruble zone. The investment climate was further tarnished in October 1996 when Uzbekistan declared that its currency would no longer be convertible to other currencies. The move caused many foreign-owned businesses operating in the country to shut down.

In such an environment, even privatization has created problems, Kazakhstan and Kyrgyz Republic, for example, launched extensive privatization programmes that caused unemployment, inflation and the rise of organized crime, in spite of the fact that both countries are relatively stable. In May 1997, a Board of enquiry led by the Kyrgyz Republic's Chief Prosecutor suggested that privatization be suspended because of serious accusations that the cost of privatization projects were being underestimated, in many cases deliberately.²⁷ Other Republics have been slower to change their political and economic systems.

(d) Internal Pricing :

Development of a vibrant internal energy market in the former Soviet Republics has been hampered by heavy energy subsidies. The prices of resources were very low and not based on the law of supply and demand. Now in all the countries of the former Soviet Union, prices are gradually evolving toward world market prices of oil and oil products, while electricity, water and gas are still heavily subsidized.²⁸ This artificially increases demand and results in the need to import expensive foreign energy supplies. The difficulty of rationalizing internal pricing recently became clear when Tractebel came under criticism in Kazakhstan for raising gas tariffs by 50 percent, stating that it was being forced to import Russian and Uzbekistan gas through multiple intermediary organizations.

(e) Political Instability:

²⁷ Central Asian Daily Post, 22 May 1997.

²⁸ Asian Development Bank, Economic Report on Uzbekistan (Manila : Asian Development Bank, September 1996), pp. 16-17.

In any country in the world, instability in government would reduce the attractiveness of the investment environment. Potential investors in the sector are concerned about the rise of nationalistic and separatist movements that may threaten ownership rights and political stability. The extended civil disturbance in Tajikistan and continued armed conflict in nearby Afghanistan constitute a permanent backdrop to development in the region and increase the risks associated with investing in the energy sector.

CHAPTER-III

POLITICAL AND SECURITY COOPERATION

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Political Understanding:

In analyzing the process of regional cooperation in Central Asia from the political perspective two distinct stages are seen. First stage is from the end of 1991 till July of 1994. During this period despite the centrifugal trends in CIS, the Central Asian Republics made attempts to formulate mechanisms of coordination and increase resistance to negative occurrences. Since July 1994 the second stage of regional cooperation began in Central Asia. The strong regional core was formed, which was not joined by Turkmenistan and Tajikistan. Turkmenistan took a neutral position on the regional affairs in Central Asia, whereas Tajikistan was involved in bloody civil war.

From a political perspective, it should be noted that the Almaty Declaration emphasized the open nature of the cooperation project. The three heads of state namely, Kazakhstan, Kyrgyzstan and Uzbekistan not only issued non-binding declarations of intent but also took concrete action by forming an Interstate Council consisting of the presidents and premiers of the member states. In addition to creating this supreme executive body, they resolved to establish the following forums:

- The Council of Premiers that meets four times per year,

- The Council of Defence Ministers,
- The Council of Foreign Ministers.

Of particular relevance is the simultaneous decision to form an Executive Committee headquartered in Almaty, another indication of the strong commitment to regional cooperation. As evidenced by the experiences of the European Union and other integration projects, the establishment of supra-national organizations with independent legal personalities, budgets, and adequate staffing can significantly contribute to the success of the entire project.

The provisions for the Executive Committee are a further indication of the sincere desire to succeed. Its chairman enjoys the same privileges as a minister of the government of Kazakhstan, the seat of the Executive Committee. The committee's mandate was stated that it was not simply formed to make a joint political statement, but as a vehicle for promoting long-term regional cooperation. It is very apparent that the majority of the responsibilities that have been transferred to this body are representative of the economic problems experienced by its member countries. In other words, the Executive Committee is expected to provide solutions for the problems of economic policy that the individual states have been unable to resolve on their own. Since, in the short term it is unlikely that the Executive Committee will be able to accomplish such a comprehensive task, there is a potential risk of unjustifiably discrediting the entire cooperation process.¹

¹ H- Dieter, "Regional Integration in Central Asia : Current Economic Position and Prospects" Central Asian survey, Vol. (54), 1996, PP.78-79.

The Executive Committee commenced operations immediately after 8 July 1994. The Interstate Council appointed Serik Primbetov, a Kazak, as the Committee's first chairman. Kyrgyzstan and Uzbekistan are each represented by one Vice-Chairman.

However, a review of the functioning of Inter-state Council reveals that the body is facing many challenges. Redistribution of land and water resources are among the reasons of tension and potential conflicts between members of Interstate Council. Much of these problems have their origin in the post-1924 years of Soviet rule. During the period of 1992-97 the Central Asian states signed numerous agreements within the framework of Interstate Council while adhering to the existing borders and recognizing territorial integrity of the member countries. The other challenges emerge from the possible aggravation of inter-ethnic relations and struggle of nationalities for predominance in every country of Interstate Council.

Perspectives of Interstate Council depend directly on ability of member countries to tie up together natural process of national consolidation, development of national state system with guarantees of national minorities rights.² Internal structure of political forces has more influence on its future. Relatively stable situation in Uzbekistan, Kazakhstan and Kyrgyzstan may be exasperated by the struggle for predominance of main ethnic groups, entering into ruling coalition or being in opposition. Thus we may assume that it is theoretically possible for the two left out

² Hossein Seifzadeh, Imperatives of Regional Cooperation : Iran, Peace and Economic Development in Central Asia in Central Asia : Regional Cooperation for Peace and Development(ed) by Dr. S.M.Rahman. A friends publication, 1998, PP 184.

states of Tajikistan and Turkmenistan to join other states of the region in the integration process.

Security Cooperation:

The most significant dynamics within the CIS with far reaching security implications was the treaty on collective security signed between Kazakhstan, Uzbekistan, Kyrgyzstan, Tajikistan, Russia and Armenia at the Tashkent Summit on May 15, 1992. There is one clause in the treaty, which binds the signatories not to enter into military alliances or participate in any groupings of states, nor in action directed against another participating state of the treaty. On the eve of the Tashkent Summit, President Islam Karimov of Uzbekistan commented that “two months of confrontation in Tajikistan have opened the eyes of a lot of people. Realistically thinking politicians must do and reach conclusion”³.

The Tashkent summit, attended by the Heads of the Government of all the participant members and chaired by Kazakh President Nursultan Nazarbayev, negotiated a five year collective security aggression providing for a collective response to aggression against any of its signatories. Other agreements signed by all participants at the summit included: -

- 1) Agreement for reducing armed forces of the former Soviet Union,

- (2) Reducing chemical weapons in accordance with international agreements,
- (3) Creating a single air space, a single information space, and in principle, a CIS television and radio company,
- (4) Agreement on border troops,
- (5) Social provision for servicemen,
- (6) Provision for formation of a collective security council consisting of the heads of participating states and the Commander-in-Chief of the CIS Joint Armed Force.

The recent events show the need for a serious and an eventually enduring security system. Article 1 and Article 4 of collective security treaty prohibit the participating states from entering into any military alliances or taking part in any grouping of states or actions directed against another participating states. General Leonid Ivashov, head of the working group on defence issues, and one of the key participants in preparation of the documents for the Tashkent Summit, argued that the treaty confirms already established views, particularly within the military circles of the CIS governments, that the establishment of a system of collective security, or more accurately its preservation, is a practical necessity and an objective requirement. The Chief of the CIS joint armed forces General Staff, General V. Samsanov, pointed to the political significance of the treaty in an article which was published by Krasnaya Zvezda. The treaty on collective security is the basis for forming a defence alliance and the first and probably most complex step towards creating an effective military and

³Moscow Central Television, 4 May, 1992, Cited in FBIS, SOV-92-009, 91May, 92, PP.31-32.

political structure capable of being a guarantee of security for the successful political and economic development of the subjects that constitute the CIS.⁴

The treaty on collective security has not defined the exterior border of the participant states, as the border of the CIS and its defence within the jurisdiction of CIS armed forces. “We now have common external border which was declared by General Leonid Ivanshov. Both Marshall Shaposhnikov, then the commander in chief of the CIS Joint Armed Forces, and General V.Samsnov, the CIS Chief of the General Staff reaffirmed that the quick reaction to the threat posed against the outside borders of the commonwealth is one of the key tasks of the CIS Collective Security agreement.” Uzbekistan’s forceful presentation of the border and ethnic conflict issues in Moscow was reinforced by a critical report given by Rakhman Nabiyeu, President of Tajikistan, on the serious border problem with Afghanistan.

Thus, the Tashkent summit of the collective security provided the main security dimension of the Commonwealth of Independent States. The significance of the agreement did not primarily lie in its internal provision, but in the fact that it provided an essential precondition for the more detailed bilateral military agreements which Russia subsequently signed with all the Central Asian Republics including Turkmenistan.

Immediately after the Tashkent summit, two agreements, equally if not more significant, were reached among the participant states in Moscow (July 6, 1992) and Tashkent (July 16, 1992), which provided more substantive support to the previous

⁴ Mohiaddin Mesbala, “Russian Foreign Policy and Security in Central Asia,” Central Asian

collective security agreement. The two meetings specifically addressed the twin significant issue-mechanism of the creation of CIS Peace Keeping Force (blue helmet) for rapid deployment in the areas of regional conflict within the CIS, and the issue of security of the southern border of the CIS. The Moscow summit also defined 'the exterior border of the participant states as the border of the CIS and its defence within the jurisdiction of CIS joint Armed Forces'. Both Marshall Shaposhnikov, the Commander-in-Chief of the CIS joint Armed Forces, and General V. Samsanov, CIS Chief of the General staff, re-affirmed that the quick reaction of the threat posed against the 'outside borders of the commonwealth' is one of the key tasks of the CIS collective security agreement .⁵

Another important summit of leaders of the Commonwealth of Independent States with far reaching security implications was held in the Belarussian capital, Minsk, on January 22, 1993. After prolonged debate, a charter for closer political, economic integration, and defence alliance was prepared. The charter was signed by seven of the ten former Soviet Republics represented at the meeting namely Russia, Belarus, Armenia, Kazakhstan, Uzbekistan, Kyrgyzstan and Tajikistan. Ukraine, Moldova and Turkmenistan refused to sign. A commitment was made within the CIS framework that Russia would be ready to guarantee the security and territorial integrity of Central Asian states and to defend it against external attack and internal instability.⁶ The Charter of this Conference may be looked upon as a 'multilateral treaty' consisting of fifty articles. Article 3 maintains that the member states ought to

Survey, Vol. 12, No. 21, 1993, P.194.

⁵ FBIS-SOV, 93-131, PP.12-13, July 8, 1992.

⁶ SWB, SU/1594,P,C1/2, January 23, 1993.

build their relations on the principle of 'non-interference in one another's internal and external affairs'. Article 4 and 29 stipulate 'the coordination of foreign policy activity' and 'cooperation in the field of the defence industry and the protection of external borders'. The third section of the Charter envisages 'Collective Security and Military-Political Cooperation'. Article 4 may be viewed as an extension of the Collective Security Treaty signed at Tashkent.⁷ An extraordinary meeting of the Heads of Government of the Commonwealth of Independent States (CIS) was again held in Minsk on April 16, 1993. The summit was attended by all CIS heads of state except Turkmenistan and Kyrgyzstan. Both Boris Yeltsin and the President of Kazakhstan, Nursultan Nazarbayev, emphasized security cooperation and the need to check growing intrigues of anti-government forces in Tajikistan.⁸ The concept of collective security within the CIS appears to have gained ground since the Minsk Summit. On August 7, 1993, Russia and the Central Asian Republics of Kazakhstan, Tajikistan and Uzbekistan, decided to set up a regional security system 'in accordance with the agreement of collective security of the CIS states and bilateral agreements with Tajikistan'. President Islam Karimov of Uzbekistan justified the security pact on the ground that the militant Islamic fundamentalist forces were working overtime to turn Tajikistan into a 'springboard' for spreading militant fundamentalism in the Central Asian Republics and other CIS states and that, therefore, it was necessary to 'prevent in their territories the activities of persons, groups and organisations' aimed 'at violating the security of those states'. It was also emphasized that the borders of

⁷ Ibid, P, C1/2-3.

⁸ SWB,SU/1762,P.V2/7, August 9,1993.

Tajikistan were 'part of the common borders of the CIS', and Russia has a historic duty to guard the Tajik- Afghan border.⁹

Keeping in view the security of the exterior border of the Commonwealth of Independent States, particularly, Tajik-Afghan border, a communiqué was issued by the Foreign Ministers of Russia, Tajikistan, Kazakhstan, Kyrgyzstan and Uzbekistan following their meeting in Dushanbe on March 15, 1994. It demanded that peace-keeping forces of CIS in Tajikistan should be granted UN status. Even Russian Foreign Minister Andrei Kozyrev insisted that CIS's peace-keeping role did not require 'international approval' and that Russia had 'a historic duty to guard the Tajik-Afghan border'.¹⁰

Another important CIS Summit was held in Moscow on January 19, 1996. President Boris Yeltsin, while addressing the meeting of the CIS Heads of State, proposed concentrating efforts on creating a single defence space and stronger system of collective security in the CIS. Boris Yeltsin stated : "it is virtually impossible for the countries of the Commonwealth, acting individually, to ensure their national security, but we can achieve this through a system of collective security".¹¹ The Russian President also stressed the importance of preserving the military systems which previously protected the territory of the Soviet Union, particularly the single air defence system, and of restoring joint production in the military-industrial complex.

⁹ SWB, SU/1762, P.C2/7, August 9, 1993.

¹⁰ Keesing's Record of World events, Vol.40, no.3, P.39914, march, 1994.

¹¹ SWB, SU/2514,P,A/2, January 20, 1996.

The Declaration on CIS Guidelines of Development adopted on April 2, 1999, by the Moscow meeting of Heads of States mentioned among others the “confirmation of our resolution to settle armed conflicts in Commonwealth member countries as soon as possible by peaceful means and with the use of UN and OSCE mechanisms and resources on the basis of undeviating compliance with territorial integrity, inviolability of state frontiers, and other universally recognized international legal norms and principles”.

However, till now more than one hundred agreements within the framework of Commonwealth of Independent States have been signed by all its constituent members, but in practice, very few provisions of the agreements has been implemented. Furthermore, President Islam Karimov openly declared in February 1999 that it would not renew its membership and gave formal notice for withdrawal of Uzbekistan from the Treaty. Moreover, the changing perceptions of leaders and the regional groupings and alliances by the members of the CIS, has also greatly affected the Commonwealth of Independent States as a collective organization to look after collective security as well as various issues of the CIS Republics.

Russia and Central Asian Republics : Bilateral Security Agreements

In the post-Soviet period, Russia has pursued the process of reintegrating former Soviet Central Asian Republics both through multilateral and bilateral security arrangements. While the Treaty on Collective Security provided the security guarantee for the Central Asian Republics, its chances for survival and endurance have, however, been greatly enhanced by the series of bilateral ‘friendship treaties’ that Russia has

signed with all the Central Asian Republics. It is this 'bilateral level' that provides the additional and perhaps real substance to the 'collective level' security agreements.

Diversification of Security Relationship of Central Asian states with West, NATO, OSCE and the UN

The Tashkent Collective Security Treaty and the separate bilateral and multi-lateral security arrangements within the framework of the Commonwealth of Independent States with Russia have already provided security guarantee to all newly independent Central Asian Republics. But in the wake of active Russian foreign policy based upon the newly formulated Russian military doctrine in the 'near abroad' of 1993, aimed at creating 'zones of influence' and declaring the whole of the former Soviet Central Asian territories as an area of 'vital interest' for Russia, the leaders of the Republics started exploring other avenues to ensure the security and stability of the Central Asian states.

While addressing 48th Session of the UN General Assembly, President Islam Karimov emphasized on the regional security in Central Asia beyond the unified security structure of the Commonwealth of Independent States, and proposed to set up in Tashkent a 'permanent United National Seminar' on issues of 'Regional Security and Cooperation'. Subsequently, a seminar on 'Security and Cooperation in Central Asia' was held on September 15-16, 1995, in the Uzbek capital, Tashkent, which was attended by the delegations representing the United Nations, the Organisation of Islamic Conference (OIC), Commonwealth of Independent States (CIS) as well as representatives from the permanent member states of United Nations Security Council,

and also from the neighbouring states of Turkey, Pakistan, Afghanistan, Iran and India.¹² While addressing the seminar, Islam Karimov emphasized the need for international organizations such as OSCE, NATO, NACC, CIS, the U.N. and other international organisations and institutions to take an active interest in ensuring peace and security in Central Asian regions.¹³

After the Tashkent Seminar, a two-day international seminar on 'Regional Security in Central Asia', was organized in the Kazakh Capital, Almaty, on December 7, 1995. It was attended by the Foreign Ministry officials from the Central Asian Republics and experts from Kazakhstan, Tajikistan, Kyrgyzstan, the USA, Russia and Britain. It discussed the role of the Central Asian states with regard to major regional and international issues. The seminar was sponsored by the Kazakh Foreign Ministry, Strategic Research Institute of Kazakhstan, and the International Institute for Strategic Studies, London.¹⁴

Subsequently, a two day international conference on 'Security, Cooperation and Confidence Building Measures in Asia', was held in the Kazakh capital, Almaty, on February 7, 1996. Representatives from Azerbaijan, Afghanistan, China, India, Iran, Israel, Kazakhstan, Kyrgyzstan, Mongolia, Pakistan, Russia, Tajikistan, Turkey and Uzbekistan participated. Observers from ten other countries including Vietnam, Egypt, Indonesia and Japan also attended this conference along with representatives of United Nations, the OSCE, and a number of other international organisations.¹⁵ Participants

¹² SWB, SU/2414, P.G/1, September 19, 1995.

¹³ Ibid, P.G/2.

¹⁴ SWB, SU/2482.P.G/1, December 9, 1995.

¹⁵ SWB, SU/2530, P.G/3, February 8, 1996.

in this conference mainly discussed three draft documents, including a 'Declaration on the principles of relations between the member states of the Conference on Interaction and Measures of Trust in Asia (CIMTA)', 'Rules and procedures of conferences on interaction and measures of trust in Asia' and the 'structure and institutions of CIMTA'.

To eliminate the possibilities of Russian domination over Central Asian Republics and to chart out an independent course of foreign policy which would be free from Russian influence, the Central Asian leaders have tried to create a broader security space which would include the United Nations, Organisation for Security and Cooperation in Europe (OSCE), and North Atlantic Treaty Organisation (NATO) and other western international security structures. This could be participation in the Partnership for Peace (PFP) programme as well as in the North Atlantic Cooperation Council (NACC) of the NATO, and staging of numerous NATO military exercises on the territory of Central Asia. These are indicative of their desire to become self-reliant and independent from Russia's strategic security umbrella. Having gained full political sovereignty, the Central Asian regimes perceive the involvement of these various international institutions in their region as one of the basic guarantees for their stability and independence. On the other hand, the strategic objectives of NATO and Partnership for Peace Programme are to involve Central Asian states in the European Security structure based on cooperative processes and on mutual consultations in case of threat, to increase military cooperation and information exchange, to contribute to stability in the region through democratic control over the military and balanced civil-

military relations and to increase interoperability for peace-keeping operations on the basis of a common conceptual approach.¹⁶

Central Asian Republics and Organisation for Security and Cooperation in Europe (OSCE)

After the disintegration of the Soviet Union, in the vast space stretching from the Caucasus to Central Asia, Organisation for Security and Cooperation in Europe (OSCE) has been very active. Its role and responsibility on the territory covering Euro-Asian Russia, Trans-Caucasia and Central Asia (by geographic proximity one could describe this as the Euro-Central Asian region) has been active. The leaders of the Central Asian states believe that Euro-Central Asian system of security may place the Central Asian region in the European processes of security and extend to its territory the common principles of inviolability of frontiers and territorial integrity. The Central Asian states would like to enter into a broader security space, which could reduce the domination of Russia in the Central Asian region, and increase opportunities of the OSCE to implement or control peace-keeping operations on its territory. Further, it is argued that the Euro-Asian system of security may stop disputes about the possible expansion of NATO, diminish frictions between Russia and NATO, Russia and the USA, and Russia and the West as whole, in connection with Russia's policy in Eastern Europe and the post-Soviet space. The border between the 'far' and 'near' abroad would be eliminated in favour of the single Euro-Central Asian space of security and after that there would emerge a reasonable balance of mutual relations

¹⁶ Bruno Coppieters and others, "The Central Asian Regions in a new international environment" NATO Review, Vol. 44, No. 5, September 1996, p.29.

between the OSCE, NATO, EU and CIS, which as a whole under the aegis of the UN might characterise the Euro-Central Asian system of security.

To come closer and to integrate within the OSCE security structure, a seminar sponsored by the OSCE on 'Security and Confidence-Building Measures in Central Asia' was held in the Tajik capital Dushanbe on 24 April, 1996.¹⁷ In the summit of the Organisation for Security and Cooperation in Europe (OSCE) subsequently organised in Lisbon on 2 December 1996, Kazakh President Nursultan Nazarbayev and Uzbek President Islam Karimov participated. While addressing a press conference soon after the Lisbon Summit, President Karimov disclosed that 'our primary purpose in participating in this Organisation is to get security guarantees for Uzbekistan-for our people, for our country'.¹⁸

After a few months the Secretary-General of the OSCE, Giancarlo Aragona, visited Uzbekistan on July 14, 1997, to discuss with President Islam Karimov issues of regional and international security, the situation in Afghanistan and the prospects for cooperation between the OSCE and Uzbekistan . Subsequently, the Chairman-in-office of the OSCE Polish Foreign Minister Bronslaw Geremek, visited the countries of Central Asia on 14-20 April, 1998. It was the first CiO visit to the region. In each of the five countries he visited- Turkmenistan, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan, the Chairman-in-office emphasised the importance of Central Asia as an integral part of the OSCE community, in accordance with the principle of indivisibility of the security in the OSCE area. He stressed the importance of their active

¹⁷ SWB,SU/2598P.G/1, April27,1996.

¹⁸ SWB,SU/2787, P.G/4, December 5,1996.

participation in OSCE work, in all its dimensions. He also invited them to participate actively in the work on a document charter on European security in order to ensure a proper link between European and Central Asian security. In his final report, CiO pointed out that OSCE is very much concerned about Central Asia's internal and cross-border conflicts, inter-ethnic tensions, religio-political extremism, menaces of drug trafficking and international criminal activity, which are major possible threats for regional security of Central Asia. The gravity of these problems and others raised in his report suggest that the security situation in Central Asia and efforts to integrate more closely with the states of the region and also with other members of the OSCE would be given higher priority in the OSCE, including the document / charter on European security.

In her opening statement, the next OSCE Chairman-in-Office, Minister for Foreign Affairs of the Republic of Austria, Mrs. Benita Ferrero-Waldner, at the "International Conference on Enhancing Security in Central Asia : An Integrated Approach to Counter Drugs, Organised Crime and Terrorism", held at Tashkent on 19th October 2000, emphasized the need for cooperation and coordination of OSCE in the security aspects of Central Asia. She also called for coordination at a national, regional, inter-regional and international level in order to adopt measures to prevent, control and eliminate the interrelated phenomena of drug trafficking, organised crime and terrorism.

Central Asian states and NATO'S Partnership for Peace Programme

Relations with the North Atlantic Treaty Organisation have bearing on Central Asian states' strategic relations with the west. Soon after the dissolution of the Soviet Union Kazakh President Nazarbayev declared that:

'... The North Atlantic Treaty has a suitable goal for our rapprochement to assist the democratic development of the states of Central and Eastern Europe and the CIS, and to prevent regional conflicts as far as possible...NATO member-states for the purposes of cooperation with these states have committed themselves to providing their accumulated experience and considerable expert potential in defence policy...considering all this, we will broaden contacts with NATO, provided their sphere and limits are strictly determined and they are not damaging for military cooperation with the CIS framework or bilateral military ties'.¹⁹

In December 1991, as part of strategy to integrate members of the Warsaw Pact and the Soviet successor states within the Western security structure, NATO heads of states and government responded by establishing the North Atlantic Cooperation Council. Later on this basis a completely new form of cooperation programme 'Partnership for Peace' was launched at the initiative of the American President Bill Clinton at the NATO summit in January 1994 at Brussels.²⁰ NATO has devoted considerable efforts to implement these objectives. Within a year, NATO invited the Central Asian Republics to cooperate under the Partnership for Peace Programme, and a framework document was signed with Central Asian states who participated in this programme. Thus NATO, for the first time, directly reached beyond the Ural

¹⁹ Cited by Oumirserik Kasenov "Central Asia : National, Regional and Global Aspects of Security" **Himalyan and Central Asian Studies**, Vol. 1, No.1, April-June 1997, p.47

²⁰ Yongjin Zhang & Rouben Azizian (ed.), **Ethnic Challenges Beyond Borders : Chinese and Russian Perspectives of the Central Asian Conundrum** (New York 1998), p.216.

mountains through the participation of Central Asian Republics in the North Atlantic Cooperation Council (NACC) and Partnership for Peace Programme.²¹

Since the Partnership for Peace programme was initiated, military and civil representatives of the newly Central Asian states have taken part in the majority of events conducted within its framework – in seminars and conferences concerning security problems and the principles of constructing armed forces in democratic societies, and in various NATO training activities during which the objectives of peace-keeping activities have been elaborated. Military officers from Kazakhstan, Kyrgyzstan and Uzbekistan have also been invited to different military schools of NATO member states.

Central Asian units of armed forces have, for the first time, taken part in exercises in the State of Louisiana, USA, under NATO's Partnership for Peace programme. The military units from Kazakhstan, Kyrgyzstan and Uzbekistan took part in the official opening of the exercises on August 8, 1995, alongside their counterparts from other European countries, USA and Canada.²² Afterwards, a 60-man battalion of Central Asian peace-keepers participated in the Cooperative Osprey Exercise in North Carolina, USA, on 16 August 1996 in accordance with the NATO Partnership for Peace military exercise.

Further to deepen cooperation with NATO, the Uzbek and the US military personnel held joint military manoeuvres on June 6-9, 1997, in the Ferghana Valley in

²¹ Bruno Copierters and others, "The Central Asian Region in a New International Environment" **NATO Review**, No.5, September 1996, Vol.44, p.26.

²² SWB, SU/2379, P.S1/2, August 11, 1995.

Eastern Uzbekistan. The Ultra Balance – 97 exercises were held in accordance with a 1995 bilateral agreement between the Uzbek Defence Ministry and the US Defence Department, Uzbek Foreign Minister, Abdulaziz Kamilov, held talks with the US Secretary of State, Madeline Albright, in Washington on June 12, 1997, and the two sides agreed to form a joint commission to expand cooperation in the areas of defence.²³

The first stage of multi-national peace-keeping exercises under the NATO's Partnership for Peace programme, involving troops from three Central Asian Republics of Kazakhstan, Uzbekistan and Kyrgyzstan, which had agreed to create a Central Asian peace-keeping battalion under UN auspices, as well as troops from Russia, the USA, Turkey, Denmark, Ukraine, Georgia and the Baltic States, began in southern Kazakhstan on September 15-17, 1997.²⁴ The second stage of multi-national peace-keeping exercise with participation of a total of 1,400 troops from Uzbekistan, Kazakhstan, the USA, Russia, Turkey, Georgia and Latvia, began near the Uzbek capital, in the town of Chirchik, on September 18, 1997. It was organized within the framework of NATO's Partnership for Peace Programme. This special peace-keeping exercise ended on September 21, 1997.²⁵

The second bilateral joint Kazakh-US military exercise – the Balance-Kayak-98- began on June 6, 1998 and lasted until June 27, 1998, outside Almaty. According to a senior Kazakh military spokesman, a Kazakh paratroops brigade and members of a

²³ SWB, SU/2942, P.S1/2, June 11, 1997.

²⁴ SWB, SU/3026, P.S1/2, September 19, 1997.

²⁵ SWB, SU/3028, P.S1/2, September 23, 1997.

group of US special service troops participated in this military exercise.²⁶ A long peace-keeping exercise – The Centrasbat-98-was also held in Central Asia, near Tashkent on September 22, 1998. As a part of the NATO's Partnership for Peace programme, more than 700 servicemen from Uzbekistan, Kyrgyzstan, Russia, the United States, Turkey, Georgia and Azerbaijan participated in this exercise.

Besides military cooperation and peace-keeping exercises under the Partnership for Peace Programme, the Central Asian states have also established diplomatic relations with NATO by exchanging envoys mutually on regular basis. A US military delegation, led by the US permanent representative to NATO, Robert Hunter, on the diplomatic mission to the Central Asian states, visited the Kazakh capital Almaty on 3 April 1996. He met the Kazakh Defence Minister Alibek Kasymov and First Deputy Foreign Minister Nurlan Danenov, and expressed deep concern over regional security. He conveyed the US willingness to assist financially the creation of a battalion of peace-keeping forces of Central Asian states under UN auspices.²⁷

To develop further military cooperation and transparency in relations with the newly independent Central Asian states, NATO Secretary General Javier Solana, in his second visit to these Republics, arrived at Almaty on March 11, 1997. Both Javier Solana and President Nazarbayev agreed to broaden cooperation with NATO within the framework of the Partnership for Peace programme. Solana expressed NATO's readiness to help in training of Kazakh military officers.²⁸ Javier Solana also had talks with the Uzbek Defence Minister Rustom Ahmedov and Foreign Minister Abdulaziz

²⁶ SWB, S.U3247, P.S1/5, June 8, 1998.

²⁷ SWB, SU/2581, P.G/2, April 5, 1996.

Kamilov in Tashkent on March 13, 1997. Kamilov clarified the stand of Uzbekistan to the visiting NATO Secretary General stating that Uzbekistan in accordance with its foreign policy principles would not join any military or military-political blocs.

In the aftermath of September 11, 2001 the support rendered by the Central Asian states for the US led coalition to fight terrorists based in neighbouring Afghanistan is, in fact, the realization of the NATO – Central Asian Republics' strategic partnership. In his recent well-publicised tour in the context of the current U.S. anti-terrorist campaign in Afghanistan, Donald Rumsfeld, the US Defence Secretary, visited Uzbekistan and Tajikistan. The Central Asian states along with Russia have strongly supported the U.S. efforts to form an international anti-terrorist coalition, launched after 11 September attack on Washington and New York. The Central Asian states (Tajikistan, Uzbekistan and Kyrgyzstan) offered several strategically important air bases to U.S. war planes for military campaign and air strikes in Afghanistan.

Shanghai 5

As a formal multilateral forum, Shanghai 5 was formed on 26 April 1996 as a joint border agreement between China, Kazakhstan, Kyrgyzstan, Tajikistan, and Russia. In the beginning, the aims and objectives of the grouping were rather vague. The said document committed the leadership of the above nations to establish collectively a range of confidence-building measures in the field of military co-operation along their common borders.

²⁸ SWB, SU/2867, P.G/1, March 15, 1997.

Since its inception, the organization has steadily increased its focus on the development of regional security situation, following violence and unrest in Kazakhstan, Kyrgyzstan and Tajikistan. In fact, in recent years, the member nations have unanimously stated that non-traditional threats to their national interest and internal security could destabilize the existing ethno-religious harmony within their borders and endanger their territorial integrity. Indeed, the fear of secessionism is the main reason behind Shanghai 5 objective of regional co-operation in the military sphere. The initial Shanghai 5 agreement on strengthening confidence building measures, in 1996, brought a reduction of tension and initiated demilitarization along the border.²⁹

Central Asia, due to the prevalence of volatile ethno-nationalist politics, intra-group confrontation and competing authority, has been long described as a ‘frontier of anarchy’. Clearly, the affront against the state and state sovereignty in all the five member nations of Shanghai 5 suggests an anarchical situation. The traditional argument holds that, faced with such challenges, states are likely to prefer insularity to stem challenges from within and outside. Yet, thanks to the growing acceptance of regionalism, it is also possible that states encountering such threats may actually come together to act in concert on a particular issue or issues. To understand the working of Shanghai 5 as a framework for regional security, relevant to the area, it must be kept in mind that it operates within the neo-realist paradigm. Shanghai 5’s resolve to combat international terrorism, drug trafficking, separatism and religious extremism again confirms the neo-realist argument that faced with an anarchical situation, states

²⁹ Klara Khafizova, ‘Kazakhstan and Xinjiang’, *Central Asia and the Caucasus*, Vol 1. No 3, 2000,

are likely to opt for common foreign policy arrangements, if that helps to maintain national security.³⁰

Although it might appear that Shanghai 5 is primarily a forum to facilitate Sino-Russian interests, other partners in the grouping are also expected to receive significant gains. For example, although Central Asian Republics have asserted their right to independence from the Soviet Union in recent years, they have refused to recognize any group or region's right to secede from the main unit.³¹ Threats to national sovereignty and challenges to majority group dominance have in fact prompted the regimes in Kazakhstan, Kyrgyzstan and Tajikistan to seek regional co-operation against secessionism. Therefore, there exists a healthy and positive interest among Shanghai 5 members to strengthen the organization. In sum, parties to the contract appear to be giving strategic partnership their most pointed expression. Still, the broad objective of Shanghai 5's could be construed as a mechanism to bolster Sino-Russian dominance in Central Asia.

Russia's current engagement in Central Asia is broadly based on its Military Doctrine on Commonwealth of Independent States (CIS) of November 1993. The broad outlines of this doctrine pushed forward the argument that: (a) Russia as a great power has both regional and global responsibilities; (b) The territory of the former Soviet Union is a geostrategic area in which Moscow has special interests; (c) Russia has extra-territorial responsibilities when it comes to the security and well-being of

p 83.

³⁰ Andrew Linklater, 'Neo-realism in theory and practice', in Ken Booth and Steve Smith. Eds, *International Relations Theory Today* (Oxford: Polity Press, 1995), p 244.

³¹ Mark N. Katz, 'Nationalism and the legacy of empire', *Current History*, October 1994, p 328.

ethnic Russians, Russian citizens and Russian-speaking communities throughout the CIS.

The successful projection of these objectives largely depends on both regional as well as external factors. So far, Moscow has managed to maintain its status quo by relying heavily on China and arguably it can garner a sizeable support from among the Central Asian Republics due to the complementarities of interests. More plausibly, Russia's goals are to keep the region within its area of influence.

The Shanghai Cooperation Organization (SCO) formed in June 2001 can be described as a regional structure at the beginning of the road. As a direct descendant but not a legal successor of the Shanghai Five it has a five-year-long history behind it. At the same time, the Shanghai Five was a result of thirty years of the Soviet/Russian-Chinese dialogue on the border and territorial issues and the security problems. By mid-1990s when three new states appeared in the zone of the former Soviet-Chinese border, the bilateral mechanism of negotiations had to be transformed into a multilateral instrument. This happened at Shanghai in 1996 where the leaders of Russia, China, Kazakhstan, Kyrgyzstan and Tajikistan signed an Agreement on Confidence-building Measures in the Military Sphere in Border Areas. This document and the Moscow Agreement on Mutual Reduction of Armaments in the Border Area provided an impetus for setting up a permanent consultative mechanism of five countries known as the Shanghai Five. This was followed by the summits in Almaty in July 1998, Bishkek in August 1999, and Dushanbe in July 2000, at which the five leaders agreed, in principle, on specific trends of multilateral cooperation, extension of the format of the Shanghai process and its institutionalization.

It was in 1999 that the sides started translating into reality the 1996 and 1997 agreements. They set up a Joint Control Group (JCG) based on the “China –Russia +3” formula to conduct mutual inspections within the 100 Km-wide “zone of predictability and transparency of military activity” on both sides of the former Soviet-Chinese border. The group met for its first sitting in November 1999 in Beijing. It was in the Chinese capital in November 2001 that a JCG meeting registered a planned reduction of military equipment made by Russia according to the 1997 Agreement. The joint group retained its five –member format after the SCO was formed. This was caused by a fundamentally important joint decision by Russia and China that neither the number of the participants in the 1996-97 agreements should be increased nor similar agreements should be concluded within any extended format of the Shanghai Cooperation Organization. With the inclusion of Uzbekistan all the six member states of Shanghai Cooperation Organisation have joined efforts to oppose international terrorism, illicit drug and arms trafficking, illegal migration and other forms of trans-border crimes.

CHAPTER-IV

PROBLEMS OF REGIONAL COOPERATION

CHAPTER –IV

Problems of Regional cooperation

The collapse of the Soviet Union leading to the independence of the Central Asian Republics and their joining of Economic Cooperation Organization (ECO) in 1992 are two important developments influencing the emerging political order in Central Asia. These events have given a new dimension to existing conflicts in Central Asia accentuating the need for their peaceful settlement by adopting confidence-building measures.

The post-independence period of these Central Asian states is however, marked by a number of challenges arising from seven primary Problem areas. First, the ethnic diversity, which created a conflict situation in Tajikistan and also presents problems inside Kazakhstan and Uzbekistan. Though the boundaries inherited from the Soviet period are being respected, the artificial division of some ethnic and linguistic groups has the potential of generating territorial disputes. Second, the boundaries of the nation states that were created after the collapse of the USSR did not evolve from historical processes or ethnic settlement patterns, but were more or less established by the Soviets in 1920s. Third problem area is the current economic situation which, in all Central Asian states, with the exception of Uzbekistan is cause for great concern and has been showing few signs of stabilization. Fourth, after the independence of the Central Asian states, serious conflicts have arisen Over the regional imbalance in nuclear weapons and over the usage of natural resources, especially, Water. Whereas, some countries possess sufficient supplies of water while

others particularly Uzbekistan, are dependent on water supplied by neighbouring states.¹ Fifthly, the environmental degradation of several regions, particularly the area around the Aral sea, has taken on dramatic proportions resulting in the rapid deterioration of living conditions, including a noticeable reduction in life expectancy. These developments may also engender destabilising tendencies. Sixth, the relatively similar economic structure of the Central Asian Countries also presents certain disadvantages for regional cooperation. The experiences of the countries of other regions have shown that regional cooperation projects frequently fail because the economies of the countries involved are too similar and do not complement each other. Some authors believe that this problem exists in Central Asia and are, therefore, holding little hope for the success of regional cooperation in Central Asia.² Finally, the Central Asian Regional Cooperation has suffered an account of the clash of leadership ambitions between the President of Uzbekistan Islam Karimov and President Nazarbayev of Kazakhstan. According to a news item published in the Kyrgyz press, president Karimov did not attend the Cholpan Ata Summit in July 1998 in Kyrgyzstan as he was not happy with the 'political wedding' of the children of the Kyrgyz and Kazakh Presidents.³

¹ Moonis Ahmar, "Conflict Resolution and Confidence Building in Central Asia", Strategic Studies, Vol. XVI, NO.3, spring 1994, PP.59-61.

² H. Dieter, Regional integration in central Asia, current economic position and prospects Central Asian Survey,(1996), 15(3/4) PP.380.

³ Devendra Kaushik, Regional Cooperation : The Central Asian experience, contemporary Central Asia, Vol. IV-NO.12, 2000 PP.37

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Besides the above mentioned problems, the external factors are also posing some challenges in the way of regional cooperation in Central Asian countries. According to Professor Ahmad Hasan Dani, a Pakistani expert of Central Asian affairs the west has a vested interest in propagating regional conflict in Central Asia. According to him, the west perceives the rise of two giant republican states in Central Asia namely Kazakhstan and Uzbekistan as a threat to the New World Order.⁴

The collapse of Soviet Union not only paved the way for the independence of Central Asian countries from the Russian tutelage but also exposed the vulnerability of these states to various unresolved conflicts. The re-emancipation of the Central Asian states is thus a crucial factor not only at the regional level, but also relevant to the global political order. Given numerous unresolved ethnic and territorial conflicts among the states, there is also a possibility of further fragmentation and emergence of new states in that region.

In some cases, ethnic, linguistic and territorial contradictions are so strong that the assertion of religious forces may be counter productive. In a situation when the Central Asian states are exposed to a conglomeration of problems and challenges, one viable option for stability and peace in that region is to seriously strive for confidence building measures in military and non-military areas. Such a process can be launched at bilateral and multilateral levels and would require the adoption of

⁴ Ahmad Hasan Dani, "west sowing seeds of conflict in Central Asia." *The Muslim* (Islamabad), April 12, 1993, PP-123-126.

concerted efforts and seeking of support on the part of the regimes in power, of other influential groups and external factors.⁵

Ethnic, Linguistic and Religious problems :

The ethnic composition of the former Soviet Central Asian Republics is as under :

- (a) Kazakhstan : Population 16,538,000. Kazakhs-36% , Russian-41%, Ukrainians-6%, Tatars-2%
- (b) Kyrgyzstan : Population 4,372,000, Kyrgyzs-52%, Russians-22%, Uzbeks-13%.
- (c) Uzbekistan : Population-19,906,000, Uzbeks-69%, Russians-11%, Tatars and Tajiks-4% each.
- (d) Tajikistan : Population –5,112,000,Tajiks-59%, Uzbeks-23%, Russians-10%.
- (e) Turkmenistan : Population-3,621,700, Turkmens-68%, Russians-13%,Uzbeks-9%.

From the above mentioned facts it appears that these states are a patchwork of several ethnic groups. Till recently Kazakhs were a minority in their own land. There is a sizeable Russian minority in Kyrgyzstan. The most assertive ethnic group parallel to Russians is Uzbek. There are 16 million Uzbeks in Uzbekistan alone and several million in other Central Asian states. Tajiks and Uzbeks claim cultural superiority over Kazakhs, Kyrgyzs and Turkmens. Tajiks consider themselves to be the most cultured nation, by virtue of belonging to the ancient and rich Persian civilization. They are biggest non-Turkic community in Central Asia. Turkmens are considered to be uncultured and illeterate, whereas Kazakhs and Kyrgyzs are sometimes called as semi-barbarian nomads who recently converted to Islam. Except

⁵ Maqbool Ahmed Bhatti, "impact of Central Asian changes in South and West Asia", Regional Studies, Vol.2, spring 1992, P , 18.

for the Tajiks, all ethnic groups in Central Asia speak a language close to Turkish. Slogans of Pan-Turkism are raised purely on linguistic and ethnic grounds.

Central Asia does not constitute a uniform mass of Muslims or Turks. The differences among people of Central Asia are vast. Although most of them speak Turkic language, these are not mutually intelligible. Turkmen is as different from Uzbek as Italian is to Spanish. The Turks of course speak Persian, an Indo-European language. Persian was the native language of the Tajiks and second language of Uzbeks.

The arguments concerning one political order in Central Asia are unacceptable to those who assert their ethnic, linguistic, religious and cultural identities. Century of Russian rule has divided the people of Central Asia at various levels. Though the people of Central Asia share so many common things that the possibility of an institutionalized cooperation does not seem to be remote. But the existence of ethnic, linguistic and religious contradictions undermine the endeavours for cooperation among the Central Asian Republics.⁶

The ethnic conflicts in Central Asia should be seen in two perspectives. First, the presence of a strong Russian minority in nearly all the Central Asian states particularly in Kazakhstan and Kyrgyzstan. Any local attempt to undermine the Russian minority will be counterproductive. Secondly, ethnic tension among the Central Asian groups, conflicts between the Uzbek minority in Tajikistan and

⁶ Farz Ali, Ethnic conflicts in Afghanistan, Tajikistan and Uzbekistan, Link, October 4, 1992, PP 23-25.

Kyrgyzstan and the Tajik minority in Uzbekistan is a case in point.⁷The Russian rulers, particularly the post-1917 governments changed the Central Asian boundaries thus planting the seeds of future discord and tension among local populations. The result of the Soviet policy was that various nationalities and minorities of the population of Kyrgyzstan and Uzbekistan led to bloody clashes between the two ethnic communities. Uzbek assertiveness has been the cause for many ethnic tensions and bloody fighting, particularly in the Ferghana Valley. The growing Uzbek nationalism is source of anxiety for the non-Uzbeks in and outside Uzbekistan. The civil war in Tajikistan, is the most crucial issue in the region today. Here two factors are important. The Russian factor is important because of its military pressure. The Uzbek factor is important because of geography and ethnic proximity. All the Central Asian states are supporters of Russian military intervention in Tajikistan to contain fundamentalists from the southern border. Radical ethnic nationalism are more likely in the politically backward Republics. Anti-Uzbek feelings are more probably next only to anti-Russian sentiments in these Republics⁸. The assertion of ethnic group is supported by the external elements. Iran, Turkey, Afghanistan, Russia and China are eventually involved in ethnic conflicts in this region which obstruct the regional cooperation among the Central Asian states.

Boundary dispute:

⁷ Abidan Bozday, "Crisis and Democracy in Kyrgyzia", *Aussen P OLITIC*, Vol.43, No-3, 1992, PP 75-76.

⁸ Mohiaddin Mesbhai, "Russian Foreign Policy and Security in Central Asia and the Caucasus", *Central Asian Survey*, Vol. 12, No.2, 1993, PP 181-183.

The most important area of conflict after ethnic disputes is the squabbling over territorial boundaries and water resources. Numerous territorial changes, disregarding the will of local people were made by Russian rulers.

The borders of Central Asia were changed frequently since 1991 and around 90 territorial changes have been made since then. Out of 23 internal borders existing between 15 former Republics of the Soviet Union, 20 are still disputed. Tajiks have their chagrin over the transfer of Samarkand, Bukhara, Farghana, Shehr-i Sabz and Khiva to Uzbekistan as bulk of their population is Tajik. Osh, an oblast in Kyrgyzstan is disputed by the Uzbeks because a majority of that area belongs to this ethnic group. Most of the northern Kazakhstan is held by Russians and out of its 20 oblasts six are predominantly Russians and in two they constitute even half of the population. Kazakhstan also has a territorial dispute with China. China has claimed on three tracts of land that it considers to be illegally annexed by the former Soviet Union. According to a joint declaration issued in Beijing after the visit of the Kazakh President Nur Sultan Nazarbayev to the Peoples Republic of China, the two countries pledged to demilitarise the border region. According to the statement published by the Chinese news agency Xinhua, "The two sides (China and Kazakhstan) affirmed an agreement reached in earlier Sino-Soviet border talks and will continue to discuss the unsettled problem."

Uzbekistan has territorial claims over most of its neighbours. It has claim over the whole of Ferghana valley including the part of Tajikistan, part of southern Kazakhstan and eastern Turkmenistan. The states of Kyrgyzstan and Tajikistan also disagree on their borders. The irony of Central Asia's mismatched border is that there

are one million Uzbeks in Tajikistan and the same number of Tajiks in Uzbekistan. If territorial disputes are not handled with utmost care on the part of these states, the outcome may be similar to what is going on between Azerbaijan and Armenia. Escalation in territorial disputes will plunge the entire region into armed conflicts and violence.⁹

In recent past, the Central Asian region has witnessed many instances of border conflicts. According to the report by the Kazakh news agency Interfax-Kazakhstan on first February 2000, a group of eight Uzbek citizens, including four military service men, tried to demarcate the border between Uzbekistan and Kazakhstan on 26th January 2000, using an armored troop carrier. Moreover, the demarcation was carried out by driving stakes into the ground on the administrative territory of south Kazakhstan region. The incident took place in the village of Bagyz in Kazygurt District. However the representatives of Uzbekistan noted that this incident was a “misunderstanding”. In spite of several rounds of diplomatic contacts between the two states the issue is still unresolved.¹⁰

Some sporadic incidents have also taken place along Kazakhstan and Kyrgyzstan border in the recent years, which have the potential of destabilizing the central Asian region.

Though Uzbekistan is considered as an expansionist state given its territorial claims over other states, it is the most powerful Central Asian state in terms of population, economic resources and military build up. In this scenario, territorial conflicts in the former Soviet Central Asian Republics are explosive in nature and

⁹ Moonish Ahmar, No.3, PP,75-78

have a potential for outbreak of hostilities. Such a situation may lead to further disintegration of Central Asia and the emergence of several states.

Territorial Water Conflicts:

Another sources of conflicts in Central Asia is related to water resources and environmental issues which emphasize the need for regional cooperation in Central Asia. Two striking examples for these type of problems and the resulting need for regional cooperation are the ecological crisis around the Aral sea and the controversy between Kyrgyzstan and Uzbekistan over the use of water.

The ecological crisis around the Aral sea has received world wide attention and has been addressed through projects sponsored by western donor countries. Since 1963, the Aral sea has lost more than 75% of its volume and continues to dry up further. This development is the result of the excessive diversion of water from the two large rivers in Central Asia, the Amu Darya which originates in Parnirs and the Syr Darya which has its sources in the Tien Shan mountain range, with a combined volume of about 110 kms. These two rivers carry approximately 90% of Central Asia's total river water. During 1969, the inflow rate into Aral sea was between 50 and 60 km per year, whereas today the sea receives hardly any river water. By the late 1980s, as a result of intensified agricultural production and the expansion of cotton monoculture, nearly 90% of the river water was used for agricultural purpose. Only 3% was used to supply cities. Numerous plans for saving the Aral sea have been proposed. However, a fundamental solution to this problem can only be

¹⁰ Summary of World Broadcast, BBC, SU/ 3755G/ 2, 4th February 2000.

achieved by coordinating the activities of all states in the affected region. The situation around the Aral sea can only be stabilized if the amount of water withdrawn from its tributaries is drastically reduced¹¹.

Controversy over the use of surface water in Central Asia is yet another example of this phenomenon. Particularly notable are the disagreements between Kyrgyzstan and Uzbekistan with regard to the use of the Syr Darya river. Through numerous hydroelectric stations and dams such as the Toktogul Dam in the Naryn region. Kyrgyzstan can exercise control over the amount of Syr Darya water flowing into Uzbekistan. A dispute developed shortly after both states became independent, initially over the prices of Uzbekistan's natural gas supply to Kyrgyzstan. When Kyrgyzstan was unable to pay the higher prices demanded, Uzbekistan discontinued supply. Subsequently, during the summer of 1993 and 1994, Kyrgyzstan filled their water reservoirs capacity to boost the production of hydroelectric energy. Since, the natural gas shipments had been discontinued by Uzbekistan, electric power was increasingly used for heating by Kyrgyzstan. Uzbekistan was faced with the unpleasant situation during the summer months when considerably less water than before was available for purposes such as irrigation. Conversely during the winter months, Kyrgyzstan drained for the production of electricity, its reservoirs more frequently which caused flooding in Uzbekistan. This issue continues to place a major strain on the relationship between Uzbekistan and Kyrgyzstan. This factor has the potential of creating political strife within Central Asia. It will make confrontation over control of water likely between states, especially between upstream and those

¹¹ World Development Report. 1995, PP 226-227.

down stream.¹² These developments raise apprehensions about serious conflicts among the Central Asian states on the issue of sharing existing water resources.

Regional Imbalance in Nuclear Powers

Out of the massive nuclear arsenal of roughly 27,000 weapons that the former Soviet Union accumulated over the past 35 years, Kazakhstan possessed 7 percent or 1,800 on its soil as of September 1991.¹³ In the aftermath of the Soviet collapse, Kazakhstan was a party to the agreement signed by 11 CIS members which committed themselves to “preserve and support common military and strategic space under a united command, including unified control over nuclear armaments regulated by special agreement”.

In Kazakhstan, most of the Soviet nuclear weapons were tested at a site near Semipalatinsk, which caused massive environmental hazards. Thousands of people suffered from radiation induced illness. An anti-nuclear movement called “Nevada” and massive demonstration calling for an end to nuclear testing were frequently held in Almaty. Besides intense debates and conferences had greatly publicized the consequences of underground nuclear tests in the steppes of Kazakhstan. In fact Kazakhstan decided to ban nuclear testing on its soil when it proclaimed independence in October 1991. However during the US Secretary of State Baker’s visit to Almaty in December 1991, Nazarbayev changed his position, asserting

¹² D. Saltmarshe, *Central Asian quarterly*, Vol.2, Nov. winter 1995, PP.30-32

¹³ *Bangkok Post*, 25 May 1992.

that Kazakhstan would not relinquish its nuclear arms as long as such weapons were maintained in Russia.¹⁴

However the US administration has succeeded in making Kazakhstan eliminate its nuclear weapons. Except for signing the long awaited agreement with Chevron Corporation, the fourth largest US oil company, Nazarbayev has not been able to bargain much in exchange for signing NPT. The Kazakhs may have thought that once they hand over their nuclear weapons to Russia, they would hide themselves in the shade of the American umbrella. But the US is going to fulfill no more than the conditions of the 1968 treaty. At most, the US will only appeal to the UN Security Council in the event of a nuclear threat to Kazakhstan.¹⁵

But The Kazakh Parliament decided to withdraw all strategic nuclear weapons. It also declared a “no-first use” policy, with control of ‘nuclear button’ with the Russian President and the Kazakhstan President only to be ‘kept informed’.. At the same time Kazakhstan and Russia, bound by their defence treaty, will decide for themselves where to station these nuclear weapons in future.¹⁶ The other question is on the safety and maintenance of the nuclear weapons with Kazakhstan. There were considerable doubts about this, but apparently an agreement has been reached with Russia for ensuring their safety. The disposals of the nuclear sites are posing some problems in Central Asian countries.

¹⁴ P.Stobdan, “Central Asian Regional Security”, *Strategic Analysis*, 15 (5) August 1992, PP 39-42.

¹⁵ P.Stobdan, “The US interest in Central Asia, New Agenda for Pakistan.” *Strategic Analysis*, Vol.5(9) August 1996.

¹⁶ Hyman (Anthony), “ Power and Politics in Central Asia” *conflict studies*, August 1994, PP-1-12.

The initial unrealistic expectation that the Central Asian Republics will not maintain armed forces and depend entirely upon a common force under the CIS was soon dispelled. Uzbekistan and Kazakhstan would definitely have their own armies.¹⁷

This regional imbalance in nuclear power has always been obstructing the regional cooperation in Central Asia.

Regional grouping:

The Central Asian states have been spawning political and economic associations to shape their regional identity. In February 1992, the newly independent Central Asian States were invited to become members of Economic Cooperation Organisation (ECO) founded 25 years ago by Iran, Turkey and Pakistan, then called the Regional Cooperation for Development (RCD). Except for Kazakhstan which preferred to be an observer, the other four opted for full membership. In the ECO summit, the major emphasis was given to create a powerful Islamic common market and elimination of all tariff and non-tariff barriers. It also talked about common faith, cultural affinities and shared experiences of history. President Rafsanjani of Iran viewed the organization as an Islamic Political and economic organization which could develop into a world power. With Bangladesh also having applied for membership in the ECO, the Islamic leaders hope to expand their organization. “Ironically, it is this strength which is causing nightmares in some western capitals, raising scary scenario of the emerging coalition of states particularly Iran, Pakistan and Kazakhstan producing Islamic nuclear bombs and becoming a citadel for Islamic

¹⁷Ibid,P.26

fundamentalism.”¹⁸ Admission of non-Islamic states such as Armenia to the ECO is also debated. Turkey, aims at keeping the ECO as an economic entity and not an Islamic group.

Indications are clear that in the name of economic cooperation, political and strategic motives are promoted to influence the course of events in Central Asia. At the moment there are divergent interests of each country particularly Iran and Turkey which have their own rival regional interest in forming economic institutions. To sum up regional grouping like ECO is also a factor which does not facilitate regional cooperation in Central Asia.

International aspects of regional instability in Central Asia

Strategic circumstances have led many global and regional powers to pursue an activist policy in Central Asia. The policies and goals of these powers have a bearing on the process of regional stability in Central Asia. Among these countries important are Russia, US, China, Afghanistan, Iran, Turkey, Pakistan and India.

Russian interests in Central Asia centre on the following :-

- (1) Preservation of traditional influence in the region.
- (2) Safeguarding of economic investment, and participation in future economic growth.
- (3) Protection of the interests of the large Russian communities living in the region.
- (4) Averting possible security threats among which the resurgence of “Islamic fundamentalism” is perceived with particular alarm due to the effect it has on the

¹⁸ A.A Rizvi, “ECO for Regional cohesion”; Economist, 22-28 February, 1991, PP. 8-10.

Muslim populated parts of the Russian Federation. Russia has sought international sanction for its “Peace-keeping” role in Tajikistan by obtaining UN cover for its forces sent there to maintain peace between warring factions.

Initially, when the Economic Cooperation Organisation (ECO) was enlarged in 1992 to include the Central Asian Republics, the Russian reaction was expressed in statements by senior Russian leaders that these Republics would have to choose between the CIS and ECO.¹⁹ However, a more moderate stance was adopted following assurances that the ECO was a vehicle for regional economic cooperation that did not represent any threat to Russian interests. It was also realized that Russia did not have the resources to meet all of the requirements of these Republics in investment and technology. They also realized that it was neither possible nor desirable to impose restrictions on the newly independent republics in developing friendly relations with their neighbours.

The degree of influence Russia wishes to exercise over Central Asia would remain a major factor in peace and security in the region. The ultra nationalists in Russia want the reunification of the former Soviet Union, a goal that is unlikely to find acceptance among the non – Russian population of the Central Asian Republics. More realistically Russia would want to maintain its current role of guarantor of the external and internal security of the Central Asian Republics, which their present leadership is willing to accept. The dominant role of Russia in the economies of the Republics may also continue, though the Russian share is bound to be reduced as they

¹⁹ Talat A. Wizarat, “CIS and ECO ; options for the Central Asia states”, in “Contemporary Central Asia”, University of Karachi, 1995.

develop cooperation with regional and world powers in various fields. However, in the sphere of security and political relations Russia is likely to retain its primary role.

The geographical position of China, which has a common border with three out of the five CARs, and also shares a long border with Russia, confers a major role on it with regard to peace and security in the Central Asian region. Though the break-up of the Soviet Union was regarded as a setback, Beijing took early action to recognize the CARs. It also proceeded to develop friendly relations as well as economic cooperation with them. The railway link between Urumqi and Almaty provided direct access to the Central Asian region, and trade has been expanding at a rapid pace, nearly doubling itself every year.²⁰

Beijing supports the secular approach of the leadership of CARs because of its concern over the possibility of fundamentalist trends developing within the Muslim population of Xinjiang. Recently, China concluded a deal with Kazakhstan worth \$ 9 billion to build an oil pipeline to tap the large reserves of oil and gas in the Caspian region. Thus china is now competing with the western countries for a role in the region.

The United States of America has also established a presence in the CARs after their independence to ensure access to the rich oil and gas reserves of the region. It supports Russia's special role in the region and is supportive of the policy of combating fundamentalism. However it backs a European role for security in the region through the OSCE (Organisation for Security and Cooperation in Europe) and

NATO's Partnership for peace Programme. American oil companies compete for contracts to exploit the oil and gas resources. USA also wants a say in the direction of the pipelines from the region to the sea. It would also like to monitor the nature of the emerging entente between Russia and China in which some of the CARs are participating. This is evident from the participation of the presidents of Kazakhstan, Kyrgyzstan and Tajikistan in Sino-Russian Summits held in 1996 and 1997, that called for a multi-polar world order.

Another serious threat to stability in the Central Asian region was from the continued instability in Afghanistan. Following the withdrawal of Soviet forces in 1989, there was a civil war between various factions of the Afghan mujahidin who had waged a joint struggle against the Soviets. These rival Afghan factions have had different ethnic and regional roots, the Taliban being Pashtun dominated, while other major factions represented the non-Pashtun minorities of Tajiks, Uzbeks and Hazaras. The neighbouring countries were involved in the infighting in Afghanistan in varying degrees with Pakistan overtly and covertly backing the Taliban. Apart from the damage to the economy of Afghanistan, the instability there affected the prospects of regional cooperation in Central Asia. It also prevented the utilization of the shortest routes from the Central Asia to the sea through Afghanistan. The resolution of the conflict in Afghanistan constitutes the main challenge for the countries of Central, West and South Asia whose economic development and security are adversely affected by it. However the post-September 2001 developments have resulted in the ousting of Taliban from power and the establishment of a broad based coalition

²⁰ Dr. M.A.Bhatty, "Peace and Security in the Central Asian Region" in Central Asia: Regional

headed by Hamid Karzai in Afghanistan. The United Nations as well as international agencies have got to play an important role to make the relative peace which prevails in the region, last long.

Since 70% of the population of Central Asian Republics is Turkish speaking, Turkey has been taking much interest in the region. The leaders of the newly independent Central Asian Republics have also shown a preference for the Turkish model of development, due to the secular character of the Turkish regime. However, lack of direct communications has impaired the fulfillment of high expectations of Turkey.

Historical, geographical and cultural links confer on Iran a special role in Central Asia and the Caucasus. The densely populated areas in Tajikistan and some parts of Uzbekistan are inhabited by the Persian speaking Tajiks, who are the dominant ethnic group in Tajikistan and a large minority in Uzbekistan. It has a common border with Azerbaijan and Turkmenistan. Moreover as the Muslim population of CARs has gained greater religious freedom after the downfall of communist control, Iran has also sought to play a role in providing funds and literature for Islamic religious and cultural institutions. However, it has made these Republics, whose leadership remains secular, cautious about close cooperation with the Islamic Republic of Iran. The West and US in particular are also opposed to Iran's influence in the region. However, Iran which also hosts the headquarters of ECO in Tehran, will remain an important player in Central Asia.

India as the leading power in South Asia, with a large Muslim population, and a tradition of friendship and cooperation with the former Soviet Union, seeks to develop close relations with the Central Asian Republics. In developing its links, India seeks to capitalize on the concerns of the secular Central Asian leadership over Islamic extremism. Furthermore, as India's deficit in oil and gas grows with rapid development, access to the rich energy resources of Central Asia will acquire greater importance. The relations with the Central Asian Republics would also have a bearing on India's security concerns relating to Pakistan and China.

Pakistan, with its strategic location at the junction of Central, West and South Asia seeks to have a foothold in Central Asian region. The coast of Pakistan is nearest to Central Asia, and the linking of the Central Asian Republics to its road and railway network would provide them access to South and West Asian markets.

Thus the rich energy resources of the Central Asian region give the broader international community a stake in the region. This is a main factor for the revival of New Great Game in Central Asia.

CHAPTER-V
CONCLUSION

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The disintegration of the Soviet Union led to the emergence of five independent Central Asian Republics namely, Kazakhstan, Uzbekistan, Tajikistan, Kyrgyzstan and Turkmenistan. All these five Republics occupy a vast territory extending from western Siberia in the north to Afghanistan and Iran in the south. They cover an area of four million square kilometers, or almost one-sixth of the territory of the former Soviet Union.

During more than seven decades of Soviet rule, (1917-1991) Central Asia remained free from internal conflicts, and felt no threat to its security from neighbouring powers. But after the disintegration of Soviet Union, the Central Asian region has become the hub of international politics. Under such circumstances these Republics have realized the need for regional cooperation in Central Asia, which is further strengthened by shared sense of common language, common history, common experience, common religion and geographical proximity.

The process of regional cooperation in Central Asia is still in its experimental stage. However, the prospects of future development of regional cooperation have been viewed with optimism by the Central Asian leadership. Historical factors, present day needs and long-term considerations all point to the need for increased regional cooperation in Central Asia.

Since their independence, the Central Asian States have actively carried out regional cooperation and made considerable progress in this respect. At the CIS level, the Central Asian States actively advocate and push forward the integration of the CIS

countries with the purpose of forming an economic confederation. Within the CIS the four countries, namely Russia, Belorussia, Kazakhstan and Kyrgyzstan have established a tariff union practicing unified tariff. The three Central Asian countries, namely Kazakhstan, Kyrgyzstan and Uzbekistan have formed an Economic Union. Progress in different degrees has already been achieved with regard to integration at different levels, though various difficulties continue to be there.

Initial attempts at creating a single Central Asian Economic Territory were made even prior to the collapse of the USSR. The integration of Central Asia was first discussed in 1990, during a conference in Almaty. However, until 1994, this as well as other attempts to achieve regional integration in Central Asia met with very little success. The reason being the lack of decisive action to implement these resolutions.

After the abolition of rouble zone, Kazakhstan and Uzbekistan began their pursuit of creating a single economic territory. On 10 January 1994, the two states concluded the negotiations on the agreement for the creation of a single economic territory. Very soon it was joined by Kyrgyzstan. This non-binding agreement was expressed more precisely in the Almaty Declaration of 8 July 1994. The three heads of State resolved to form an inter-parliamentary working group to harmonize the legal framework, to increase joint efforts to protect the environment specifically for the rehabilitation of Aral Sea, and to coordinate the foreign policy of these three Central Asian countries.¹

The Economic Cooperation Organization (ECO) established in 1965 by Turkey, Iran and Pakistan and joined by Central Asian States in February 1993 reflects

¹ Heribert Dieter, Regional Integration in Central Asia : Current Economic Position and Prospects, Central Asian Survey(1996), 15(3/4), pp.378.

another effort in the direction of regional cooperation in Central Asia. However, very little success has been achieved on this front till date. This is largely due to inner contradiction in the very composition of ECO. From the very beginning, Iran has emphasized the Islamic nature of ECO. It has also maintained that this organization could represent the first step towards a common Islamic market.

Four states of Central Asia, with the exception of Turkmenistan, have come together to form the Central Asian Economic Community. Its progress would depend upon the relations between the two large Central Asian States of Kazakhstan and Uzbekistan. Both of them have leadership ambitions in Central Asia. However, modest progress has been achieved in the direction of regional integration in Central Asia within the framework of the Central Asian Economic Community.

The Central Bank of Central Asia started functioning with its headquarters in Alma Aty and a sister branch in Tashkent. It is financing some enterprises of regional importance in Bishkek, Alma Aty and Tashkent. In August 1997, a concrete agreement was reached between Uzbekistan, Kazakhstan and Kyrgyzstan on the regulation of tariff for rail transport. Agreement has also been reached for the construction of a road linking Andijan in Uzbekistan to Kashgar in China via Irkeshtam in Kyrgyzstan. A long-term agreement on the use of Naryn and Syr Daria hydroelectric stations has also been reached. All the five Central Asian States have worked out a scheme for development of thermal power resources in Central Asia. Agreements are ready for signature on the establishment of a common market for electrical energy for Central Asia. Since 1996 trade restrictions have been removed between Kazakhstan and Kyrgyzstan and since 1997 between Uzbekistan and

Kyrgyzstan and Kazakhstan on a bilateral basis. Uzbekistan, however, is reluctant to remove customs check for fear of smuggling of narcotics and arms.

In 1997, the Kyrgyz parliament adopted a resolution on the utilization of the water resources of Kyrgyzstan by Uzbekistan, Kazakhstan, and Tajikistan. The Kyrgyz parliament demanded a sum of 4 million U. S. dollars, which it had spent on repair, and maintenance of water reservoirs on its territory. The problem has been resolved by an agreement that states that Kyrgyzstan would be compensated by supply of natural gas from Uzbekistan and petroleum from Kazakhstan for the use of its water resources.

In 1995, the four Central Asian States decided to form a Central Asian Battalion as a joint force for peace keeping operations. Central Asian leaders still hope about the participation of Turkmenistan despite the pursuit of a neutral policy by the latter. At the time of the Ashgabat summit of the five Central Asian States in January 1998 an attempt was made to persuade the Turkmen president to join the Central Asian Union.

Another important component of regional cooperation in Central Asia is the inclusion of China as a major partner. The Shanghai Five was set-up in 1996 with the aim of resolving border problems, strengthening economic ties and promoting a multi-polar world order. The organization has grown during a short span of time to a higher level cooperative organization. The membership of the organization has grown to six with the admission of Uzbekistan and it has been renamed as Shanghai Cooperation Organization. The new organization envisages close cooperation to promote peace, stability and economic development among the six member countries of Central Asia. It is through the regional groupings like CIS, Eurasian Economic Community, the

Central Asian Economic Community, the ECO and the Shanghai Six that the Central Asian Republics are emerging as key players in the post cold war world order.²

However there are some disuniting factors, which come in the way of regional cooperation in Central Asia. These disuniting factors are the ethnic problem, territorial disputes, sharing of common resources, ecological problems, uneven distribution of nuclear weapons, clash of leadership ambitions and role played by external factors. In these circumstances regional cooperation is the best way to move forward together by resolving the problems. They have much in common to facilitate cooperative efforts. Their integration is well grounded in their common historical and cultural heritage.

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