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THE KAZAKHSTAN INSTITUTE
FOR STRATEGIC STUDIES
UNDER THE PRESIDENT
OF THE REPUBLIC OF KAZAKHSTAN

Quarterly since 2003

Editor-in-Chief
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under the President of RK

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Responsible for publication:

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Design & Layout:

G. Khatkuliyeve, A. Sadvakassov

Translation by **TANDEM Ltd.**

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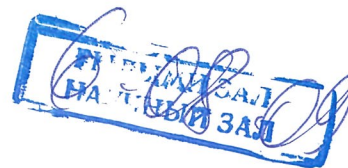
The magazine registered
with the Ministry of Culture, Information
and Public Consent
of the Republic of Kazakhstan
on January 24, 2003.
Registration certificate № 3529-zh

None of these articles should be
reproduced without reference to the
magazine.

The opinion of the editorial board may not
coincide with that of the authors
of articles.

Printhouse of the
IE "Volkova Ye. V"
Address: 212/1 Raimbek Ave., Almaty

Circulation: 250 copies



OSCE - 2010

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Current Issues of Interaction between the EU and Central Asian Countries in the Context of Kazakhstan's Chairing of the OSCE

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One of the most important strategic aims in the development of Kazakhstan, as a sovereign state, is its establishment as a fully-fledged member of the international community, including through full integration into leading political, economic and other international organisations. The fulfilment of this aim will be helped by Kazakhstan's chairmanship of the OSCE in 2010.

Kazakhstan was one of the first former Soviet countries to join the OSCE in January 1992. It voluntarily assumed obligations in the spheres of human rights, economic development, fighting terrorism and other issues of multilateral cooperation reflected in the Helsinki Final Act of the Conference on Security and Cooperation in Europe, adopted in 1975.

Strengthening and developing constructive cooperation and partnership in the OSCE and its institutions are priorities for Kazakhstan's foreign policy. The importance of this is above all to turn this organisation into a leading international institution that has a universal approach to ensuring security and instruments of preventing conflicts, solving crisis and post-conflict rehabilitation and tested mechanisms of cooperation.

The OSCE's main standards are outlines and landmarks of development for Kazakhstan as part of which it is building its statehood and conducting its domestic and foreign policies. In particular, respecting the principles and norms of international law, in the security sphere Kazakhstan is conducting a policy which is "based on **the search for commonality of fundamental interests**, the understanding of the necessity to achieve a compromise regarding everything, even the acutest issues" [1]. In many respects the endorsement of Kazakhstan as OSCE chair in 2010 was prompted by the consistent development of the country's relations with its foreign political and foreign economic partners.

Kazakhstan's election as OSCE chair is important both for our country and the organisation. **The chairmanship** will aim to strengthen the organisation as a forum for holding an equal dialogue, exchanging experience, searching for efficient solutions and turning the OSCE into a power-

ful organisation amid the growing challenges and threats, changing OSCE activities in line with the interests of all of its members, assisting an intercultural and interethnic dialogue, searching for uniting factors for the countries of Euro-Atlantic and Euro-Asiatic zones of responsibility of the OSCE [2]. The chairmanship will help Kazakhstan achieve its goals of democratic development and improving public institutions. Moreover, "Kazakhstan's OSCE chairmanship will help solve problems in the Central Asian region and significantly boost its cooperation with Europe, as well as joint solution to problems in Afghanistan" [2].

In order to create conditions for Kazakhstan's chairmanship of the OSCE in 2010 and strengthen Kazakhstan's relations with European countries, the head of state has issued orders to draft and adopt the **Path to Europe state program for 2009-2011**. According to this document, "an important task is to use the potential and instruments of the OSCE in the process of building a secure, stable and prospering Central Asia and increasing the region's attractiveness, including economically" [3].

Central Asia's geographical position at the strategic crossroads of transport and trade links opens up great opportunities for developing **economic relations with the EU**. The European Union and Central Asia have great potential for cooperation, especially in the energy sphere, mining, transport, agriculture, tourism and information technology.

The economy, trade and investment are an important basis for bilateral relations. Relations with the EU have the potential to improve the economic development of the Central Asian countries. However, the **political dialogue** should also be expanded. Visits by EU financiers and businessmen have become customary, but a serious agenda of bilateral relations demands the further development of mechanisms of constant contacts between political leaders. It is not by chance that the Path to Europe program is expected to result in "an annual exchange of at least five visits at the level of the heads of state and government of Europe" [3].

Security issues require particular attention. When considering the challenges currently faced by Central Asia, we should note that the region is extremely susceptible to

both external and internal challenges. This is because of a number of factors, including the relatively weak military and political and economic potential of the regional countries to counter risks and challenges, the existence of internal destabilising factors and zones of instability and so on. A serious challenge to national and regional security is the threat of terrorism and religious extremism, drug trafficking and weapons smuggling. If we add to this the growing income inequality, poverty, high unemployment and illegal migration, the importance of the problems faced by Central Asia becomes obvious.

Unfortunately, in the sphere of ensuring regional security now we should state the inefficiency of regional security systems and common counteraction mechanisms because of the lack of a single concept of the understanding of regional security in Central Asian countries and the lack of solutions to some regional problems (water problems, border issues and many others). In this context the fact that Central Asia, as a whole, is practically not ready to challenges and risks to its security raises concerns. This situation frightens because according to some forecasts, security threats will have a steady growing trend, especially if the Afghan problem continues to remain unresolved.

As a result, an important current task is **post-conflict reconstruction in Afghanistan**. Both the Central Asian countries and EU member states show interest in preventing hotbeds of instability in the region because they may spill over to neighbouring countries. Joint efforts may aim at providing humanitarian assistance to this country and restoring the basic sectors of the economy there. We should admit that efforts in Afghanistan are not currently producing results. The main threat posed by Central Asia to the EU's security is the transit of heroin. Our joint efforts should aim to ensure

the full impenetrability of the region's southern borders (including for crime and terrorism). EU programs – BOMCA (Border Management Programs for Central Asia)/CADAP (Central Asia Drug Action Program) – play a certain role in supporting Central Asian countries' efforts in this direction. However, obviously, these efforts are insufficient.

Generally, the development of relations between Central Asian countries and the EU has received **regional importance** after the events of September 11, 2001. The EU launched an indicative program that had been drafted for the whole region, not just for individual countries. The EU council of foreign ministers' appointment of special envoy for Central Asia in June 2005 is one of the proofs of heightened interest in Central Asia and the growth of its role. A high-ranking official in EU bodies now deals with the region. The *EU and Central Asia: Strategy for a New Partnership* document, adopted at the EU summit in June 2007, sets the main aspects of cooperation between the EU and Central Asia in general and Kazakhstan in particular.

The EU's desire to draft a coordinated policy towards Central Asia should only be welcomed. However, we think in addition to the basic European humanitarian principles in its general foreign policy and security policy, the EU is adopting median approaches which do not take account of the regional cultural and religious specifics of Central Asia. Kazakhstan's OSCE chairmanship should aim to eliminate this shortcoming.

At the same time, in light of the problems of Central Asian integration, the political experience of European countries in coordinating their common foreign policy and drafting collective responses to current challenges and threats should be of great interest to Central Asian countries.

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The Greater Central Asia Project: Present State and Evolution

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The Greater Central Asia (GCA) project initiated in 2005 confirmed that the United States treated the region as a foreign policy and security priority. The project was primarily promoted by the changed balance of forces in favor of Russia and partly China, which called for an adequate strategic and geopolitical response.

At the same time, the Greater Central Asia idea can be viewed as a conceptual and ideological substantiation of what the United States is trying to accomplish in the region. This is a fresh (and logical) approach to America's entire previous foreign policy theory and practical regional policy.

In a wider sense the project is a strategic matrix the United States is using in Central Asia, the Caspian, and Afghanistan to channel the local geopolitical, military-political, and geoeconomic developments in the desired direction. In fact, this is a mechanism for organizing the geopolitical expanse akin to the Greater Middle East. It is no coincidence that theoretically both projects are mutually complementary.

America has run into serious difficulties in Central Asia, which casts doubt on the GCA's future. In 2008, after concentrating on the Caucasus the United States pushed Central Asia to the backburner. The events in South Ossetia riveted the attention of the U.S. Administration to the Georgian problem and relations with Russia. The Americans had to maintain a far from simple dialog with their European partners, who refused to take any anti-Russian steps. America's passive Central Asian strategy, however, has preserved some of the key parameters and elements the U.S. will reproduce in the long term in its regional policies. This means that we should take a closer look at the trends and prospects of the Greater Central Asia project.

THE GCA PROJECT: AMERICA'S RESPONSE TO THE REGIONAL GEOPOLITICAL CHALLENGES. IS IT EFFECTIVE?

Contrary to the widely accepted idea about the revolutionary nature of the GCA project for U.S. policy in Central Asia, it was devised merely because the George W. Bush Administration had no alternative. So it was a somewhat forced and logical strategic step, even though the U.S. State Department had discussed the idea a year earlier.

Close scrutiny reveals that the project contains the key ideas of America's policies of the 1990s (Central Asia should be removed from the sphere of Russia's and China's control

while the bulk of its energy resources should be redirected via Afghanistan in addition to across the Caspian). In their new wrapping these ideas developed into a new comprehensive and strategic approach to the region that was given the new name of Greater Central Asia after the following circumstances in 2005:

1. Combined Russian and Chinese influence in the region reached dangerous levels at which the local countries might irrevocably turn to cooperation with both of these powers at the bilateral level and within the SCO.

2. The trans-Caspian and trans-Afghanistan pipeline projects had been shelved while China and Russia were moving toward even greater influence in the production and export of the Caspian energy resources.

3. In the absence of tangible results in the Caspian region Washington finds it hard to systematize its relations with Central Asia as a separate region, outside South Asia. Afghanistan is still an unstable and falling state with no geopolitical links with any of the regions, which makes it hard to coordinate its rehabilitation.

4. The continued American military presence in Central Asia and Afghanistan should and could be justified by the safety requirements for the pipelines and infrastructure stretching to South Asia and, on the whole, by the need to establish military-political cooperation with the Central Asian states and Afghanistan.

5. The American Silk Road project, within which the Central Asia + the Caucasus project was being realized (the Baku-Tbilisi-Ceyhan and the Baku-Tbilisi-Erzurum pipeline projects being parts of it), stopped short of South Asia. No regional cooperation across Afghanistan to Pakistan and India was realized. Meanwhile, Washington badly needed such cooperation in order to establish controlled geopolitical pluralism in the region. This became even more important after Turkey fell short of its role of active geopolitical player in Central Asia.

This means that the GCA project was needed for objective reasons, which the United States has so far failed to remove, and accounts for the project's relatively unimpressive results.

AIMS AND TASKS

The GCA project presupposes that when implemented it will create a mega-region by integrating Central Asia (in its traditional sense, namely five states: Kazakhstan,

Uzbekistan, Kyrgyzstan, Tajikistan, and Turkmenistan), Afghanistan, and South Asia (Pakistan and India, two largest states, as well as Bangladesh, Burma, Bhutan, the Maldives, Nepal, and Sri Lanka). In the fall of 2006 the Central Asian states were transferred from the Bureau of European and Eurasian Affairs of the U.S. State Department (which dealt with them as former Soviet republics) to the Bureau of South Asian Affairs.¹

The U.S. State Department placed the GCA project on the firm foundation of the new energy and transport corridors and infrastructure supported by much more active mutual trade. It started by realizing the Central Asian Infrastructure Integration Initiative entrusted to the U.S. Trade and Development Agency. The initiative was expected to connect Afghanistan with other countries; reconstruct the old infrastructure facilities and build new ones to connect Central and South Asia and add stability by encouraging contacts at the personal level.

This promotes, to a certain extent, the energy interests of at least Uzbekistan and Turkmenistan: they, and their Central Asian neighbors, will acquire another outlet to the world energy and trade markets. The West will gain access across the land mass to the region's resources, which can be used, among other things, for military-strategic purposes. Some of the sides involved in these projects have already signed memoranda of intent. The war in Afghanistan, however, prevents implementation of the pipeline projects even though America and Europe have recently been stirring up interest in them at the diplomatic and expert levels.

The GCA project has outlined the prospects for further stabilization in Afghanistan and the counterterrorist campaign waged by the U.S. and NATO. Potentially, Afghanistan can become a transit corridor for energy (financially the most promising income item) and other resources, which will help it to improve its financial and economic situation. The United States is inviting the international community and the states of the Caspian-Central Asian region to create conditions for Afghanistan's revival after a long period of international isolation and stagnation. This can be interpreted as an attempt to shift some of American responsibilities to other countries along with the greater part of the inevitable spending.

By encouraging India and Pakistan to play a greater role in the region the United States is out to use the opportunities thus created to oppose Russia and China (if they become too strong for American liking).

AMERICA'S PRACTICAL INITIATIVES WITHIN THE GCA PROJECT

1. Active development of roads in Afghanistan to create communication corridors in the country and across it to be used by the U.S. and NATO for military purposes and to firmly link Afghanistan to Pakistan and the Central Asian countries. A year earlier the WB issued an easy loan for the restoration of the Kabul-Kunduz road and the Salang tunnel. The United States, in turn, granted, with the Congress' consent, \$80 million for the restoration of the Kabul-Kandahar-Herat road to connect Afghanistan with Pakistani and Indian ports.² On August 26, 2007 the 800-meter-long bridge across the Panj to move heavy goods from Tajikistan to Afghanistan was commissioned.³

In April 2008 at the NATO summit in Bucharest the heads of the Central Asian states were presented with the "project of a railway that will connect Europe with the Central Asian states and Afghanistan. America initiated the project and will be its main investor. The Line Communication is expected to cross East European and Central Asian states: Ukraine, Belarus, Russia, Kazakhstan, Uzbekistan, Turkmenistan, and Tajikistan."⁴ It was announced that the railway would be used for moving non-military goods, energy resources, and other natural resources.

2. Development of Afghanistan's agriculture to create conditions conducive to covering the country's demand for agricultural products; it might even produce enough to export agricultural surpluses to Central Asia.

3. Development of vast regional power networks covering the Central Asian states, Afghanistan, Pakistan, and India. In this sphere the Central Asia states could act together as a single energy exporter to Afghanistan and South Asia, which badly need power supplies. In 2006 a large-scale business forum called Electricity beyond Borders was held; "in August 2008 Pakistan, Afghanistan, Kyrgyzstan, and Tajikistan signed an Inter-Governmental Agreement on the Central Asia-South Asia-1000 Power Lines Project and on further development of Central Asian and South Asian energy markets in Islamabad. This agreement will come into force in 2013-2014."⁵

"Uzbekistan intends to triple its power deliveries to neighboring Afghanistan. This decision summed up the talks between the heads of the State Joint Stock Company Uzbekenergo and Ismail Khan, Minister of Energy and Water Management of Afghanistan. Today Afghanistan imports energy from Turkmenistan, Uzbekistan, and Tajikistan."⁶

4. Development of cooperation in the security sphere designed to help the U.S. Central Command cope with its regional tasks in Central Asia and the Middle East; creation of conditions conducive to promoting U.S. military interests in the Caspian areas bordering on Iran and Russia. The United States is seeking the support of Kazakhstan, the key regional actor, the geographic location of which is strategically important for the GCA project. Predictably, America is building up political relations with Tajikistan and Uzbekistan.

At the Bucharest summit NATO Secretary General Jaap de Hoop Scheffer said that a decision had been made to coordinate the Alliance's and U.N.'s activities in Afghanistan and added that NATO and U.N. were resolved to build Afghanistan together.⁷ In December 2007 the U.N. set up a U.N. Regional Center for Preventive Diplomacy in Central Asia designed to promote cooperation between Kazakhstan, Uzbekistan, Kyrgyzstan, Turkmenistan, and Tajikistan, as well as Afghanistan, in order to address all the controversial issues and create conditions for sustainable cooperation.⁸

STUMBLING BLOCKS ON THE ROAD TOWARD GREATER CENTRAL ASIA

1. In the midterm perspective security in Afghanistan and Pakistan is unlikely to be achieved while its stabilization at the civilian level looks highly doubtful in the near future. Nothing that has been done (or declared as done) to minimize drug trafficking brought any tangible results mainly because people in Afghanistan live on the revenue

generated by drug production and drug trade. This means that joint projects with Afghanistan and cooperation with this country might create serious risks for the Caspian and Central Asian countries.

2. There are objective ethnic, confessional, and cultural differences between the Central Asian and South Asian nations. More than that: India and Pakistan are huge conglomerates of human resources and two of the potentially largest economies. "This means that the two regions cannot merge—South Asia might engulf Central Asia"⁹—this could well be the final aim of the GCA strategy.

3. The United States cannot contain the ever expanding contacts between the Central Asian states and Iran.

In 2007 the Central Asian countries and Iran supported by Russia and China invigorated their cooperation in the transportation sphere. This was further encouraged in May 2007 by the summit of Russia, Kazakhstan, and Turkmenistan in the city of Turkmenbashi. In March 2008 Turkmenistan started construction of its part of the Uzen-Gyzylgaya-Bereket-Etrek-Gorgan railway.

Bilateral contacts between Tajikistan and Iran and the contacts among the three Persian-speaking states (Afghanistan, Tajikistan, and Iran) are continuing. On March 25, 2008 in Dushanbe at the meeting of the three countries' foreign ministers the sides pledged to build a railway to connect Afghanistan and China via Tajikistan and Kyrgyzstan; they also undertook to join forces to build a highway from China to the Iranian port of Bandar-e' Abbas and a power line of 500 kW from Dushanbe to Afghanistan.¹⁰ "Five documents were signed on 26 July in Dushanbe at the meeting of Tajik President Emomali Rakhmonov, Iranian President Mahmud Ahmadinejad, and Afghan President Hamid Karzai: the Charter of the Coordination Intergovernmental Council on Transport Corridors and a Joint Statement, as well as memoranda of tripartite cooperation in the economic sphere and in fighting drugs and terrorism."¹¹ On the whole over the last twelve months the talks on a possible alliance of the Persian-speaking states has become much more explicit.

The above could undermine the American efforts in Central Asia and around Iran.

4. So far the United States has failed to convince the Central Asian countries to express their public and unanimous support of the GCA project. On the one hand, the major geopolitical actors present in the area are competing for domination; on the other, America's European allies do not associate their interests in the Caspian region (projects of alternative oil and gas pipelines to Europe across the Caucasus and Turkey—the Trans-Caspian gas pipeline to join Nabucco and the Odessa-Brody oil pipeline) with the Greater Central Asia project. The fact that the local states have the alternative of regional cooperation based on the EurAsEC, SCO, or on the purely Central Asian identity is even more important. Today they have to cope with a range of related problems and contradictions.

TWO VERSIONS OF THE GCA PROJECT—POSED BY THE U.S. DEPARTMENT OF STATE AND DR. FREDERICK STARR—SEEN IN RETROSPECT

Dr. Starr, Chairman of the Central Asia-Caucasus Institute at Johns Hopkins University, made public his Greater Central Asia concept in an article that appeared in Issue 4

(July-August) 2005 of *Foreign Affairs*. Later, in October 2005, U.S. State Secretary Condoleezza Rice outlined the idea during her visit to Kazakhstan. The State Department obviously liked it enough to appropriate it.

Closer scrutiny, however, reveals differences between the academic and diplomatic versions; the most important are outlined below.

Dr. Starr placed the stakes on closer cooperation between the Central Asian states and Afghanistan. He united them into a GCA region expected to maintain close ties with South Asia. He also envisaged a Greater Central Asia Partnership for Cooperation and Development (GCAP) for the local states; the U.S. ambassador in Kabul was to be given more powers in order to enable him to coordinate the forum and its activities (planning, coordination, and implementation of an array of U.S. programs).¹²

The project was to be active in the following spheres:

Security (stronger cooperation with NATO);

Priority development of transportation networks (particularly in the energy sphere);

Active trade (especially in agricultural products);

More active cooperation with the United States for the sake of stronger democracy;

Active involvement in managing joint projects and the tasks formulated by the U.S.;

Fighting drug trafficking;

Development and realization of cultural and educational contacts, as well as so-called people's democracy to plant American values in the region;

Support of the independent media.

Dr. Starr pointed out that his project was open for all countries, including Russia and China and *in the future Iran* when its domestic political situation changed and moved closer to cooperation with the world community and observation of all international agreements. This means that the author intended to build up more confidence in the relations between the West and Iran and expected to push the Iranian ruling elite toward closer cooperation with the international community.

The author insists that the war on terrorism should be advanced by building U.S.-linked security infrastructures and points out: "The GCAP should function with the same spirit of partnership. It should also be an à la carte project... The only obligatory programs should be those aimed at promoting regional and continental trade and promoting democracy."¹³ The long-term program of transformations in the American army, structural changes, re-equipment, and novel approaches to warfare, as well as to the dislocation of American bases and military abroad, have added urgency to Washington's closer cooperation with the region's countries. Modernized American troops should be re-dislocated and/or dislocated in regions previously free from America's military presence (Central Asia, Eastern Europe, the Caspian, and the Caucasus) based on small so-called "forward operating bases" (FOBs) and "forward operating locations" (FOLs) "mostly associated with the notion of more austere, scaled down, semi-permanent bases."¹⁴

Dr. Starr, in turn, suggested "expanding the responsibility of the Department of Defense's top official in Afghanistan to include the coordination of all regionwide Defense Department activities under the GCAP; and the establishment of a senior law enforcement and counternarcotics coordina-

tor in Kabul with interagency responsibility for programs throughout the GCAP region."¹⁵

We cannot exclude the possibility that despite the fact that Washington armed itself at the state level with a somewhat moderated version of the GCA project, the theses offered by the Central Asia-Caucasus Institute and accepted by wider circles of the expert community might be borrowed later in the mid- and long-term perspective.

Meanwhile Dr. Laumulin (Kazakhstan) offered a highly interesting comment to the effect that the Andijan events threatened the future of the GCA project. There are indications that several years earlier (before the project's official presentation) the U.S. State Department had placed its stakes on pro-Western Uzbekistan as one of the project's elements. It seemed that "initially the country was intended as an integration engine for Greater Central Asia through agreements with Pakistan, building a railway to Afghanistan in cooperation with Japan, creating a transport corridor to the Indian Ocean, and forming a free trade zone in the Fergana Valley, in which other Central Asian countries were expected to be involved." The cooled relations between Uzbekistan and the United States made it impossible to realize the GCA project in its initial form.¹⁶ The project, however, was officially presented; the U.S. Administration, which had somewhat corrected its geopolitical strategies in the region, concentrated on Kazakhstan, which received the tag of regional driving force behind the regional integration processes within the Central Asian identity.

JAPAN AND THE GCA PROJECT

Today new forms of geopolitical structures and methods of their realization are being created; the leaders of the Western world and their allies (Japan, Australia, Brazil, and others) are determined to join ranks on the basis of the Western development model and the idea that they should go ahead and preserve their leading position on the international arena. They are urged by the fact that the "world without the West" slogan has been more or less widely accepted. The Western states and their allies should become more aggressive when pushing forward their geopolitical projects.

It seems that the United States, in the same way as Pakistan and India, has been working hard during the past few years to draw Japan, its main strategic ally in the APR, into the regional geopolitical struggle through the Central Asia + Japan Dialog on the strength of its strategic dependence (up to 90 percent) on energy resources from the Middle East. The Americans argued that sooner or later it might have to cope with threats to its energy security similar to those with which the United States is familiar.

It can be surmised that the Dialog's aims, tasks, format, and positioning presuppose a new configuration of geopolitical rivalry with the SCO: the Central Asian states are SCO and CSTO members while the 2006 program of partnership within the Dialog is close to that of the SCO. At the June 2006 meeting with the Central Asian representatives held in Tokyo the official representative of Japan's Foreign Ministry pointed out: "The SCO is developing into a bloc aimed against allied relations between Japan and the United States. It does not share our values. We shall closely follow the events." The meeting discussed how deliveries of Asian energy resources in the "southern" direction could

be diversified: from Central Asia to Pakistan (Quetta) and probably to India, from where they could be moved to Japan by sea. Experts agreed that the Tokyo meeting was carried out in the "American format and therefore was positioned as realizing an American plan of partnership with the regional states alternative to the SCO."¹⁷ Meanwhile, according to the statements of the Japanese representatives that their country was prepared to help Uzbekistan (and Kazakhstan) through the Dialog project, the United States intends to link Uzbekistan (indirectly) to the regional Greater South Asia (Greater Central Asia) project. Today the political context excludes a direct dialog.

GCA'S PLACE IN KAZAKHSTAN'S POLICIES

In recent years the GCA project has run up against serious contradictions; the political and expert communities are growing increasingly critical about the project and doubt its expediency. On the whole, America's strategy in Central Asia has lost its impact; Washington has become deeply engrossed in other Eurasian areas: the Middle East, the Black Sea area, Eastern Europe, and the Caucasus. The rising cost of the war in Iraq and Afghanistan depletes the country's financial resources. This explains why Central Asia has been dropped, at least temporarily, from the list of America's priorities. For some time it will remain a derivative of America's policies in the Middle East, Russia, China, and the Caucasus and their dynamics.

There is an understanding in Washington that Central Asia and Afghanistan are not yet ready to accept the GCA project. This means that in the near future Washington will work toward creating the necessary conditions and developing them before moving on to the project's midterm perspective.

This means that America will move toward the aims and tasks formulated by the GCA project little by little, even in the long-term perspective. The present lull might be unexpectedly replaced with America's activation in the region if the geopolitical and geoeconomic conditions change.

So far the Central Asian states do not regard the GCA project as an alternative to their cooperation with Russia and China. The project's force might be demonstrated through its weakness. It might be promoted within the policy of diversification of international contacts and vectors carried out by the Central Asian countries if China and Russia gain too much power (especially in view of the negative trends revealed by Russia's policies during the South Ossetian crisis).

Within the GCA project Washington is displaying a latent interest in the regional project to create an Alliance of the Central Asian States; it probably approved of it because its format corresponds to America's desire to set up a regional structure (aimed at pushing China and Russia aside) with a good integration potential which the Americans could use as their regional partner. In future this project could be regarded, at least theoretically, as the cornerstone of a new regional structure similar to that presented as the GCA project; it could be used to suppress Chinese and Russian influence in the region.

It is equally important to identify the forms and spheres of cooperation (within the GCA project) which generate minimum political and economic risks. Some of the transit (including energy) corridors could be developed in the South

Asian direction if the governments of Afghanistan and the United States, the international community, and specialized (insurance and other security structures) institutions supplied at least partial guarantees of their safety. It should be taken into account that "the choice of a specific route for a pipeline depends on the coordinated interests of the following groups: the exporter countries, the oil companies that work at the fields, and the importer and transit countries."¹⁸

It is not easy to identify the cooperation priorities: development of the social infrastructure and trade with Afghanistan and the South Asian countries involves great risks, especially in the social security sphere. A ramified network of energy corridors involves greater risks in the economic security sphere, which means that the special state structures of Kazakhstan should carefully verify the facts and supply detailed analysis.

Today, when the largest world actors present in the region have officially accepted Kazakhstan as the region's leader and strategic partner with sufficient political weight, it has become extremely important to clarify its relations with the SCO and the Western security structures present in the region. Kazakhstan might promote the idea of a new mechanism of cooperation and/or dialog among the security structures (NATO, SCO, and CSTO). This has become especially important today: the world political and economic systems are no longer what they were and are still in the process of changing while the states are looking for new models, forms, and formats of international cooperation. This is happening at a pace that makes detailed comprehension impossible. Responses should be dynamic while thinking must be preventive. Kazakhstan's initiatives can, to a certain extent, return the geopolitical rivalry in the region to a constructive sphere for the sake of continued geopolitical balance. Indeed, sooner or later the regional security systems will have to identify the level and sphere of their cooperation.

Kazakhstan's OSCE Chairmanship in 2010 will give it a chance to attract European (and international) attention to the region's sores (Afghanistan and security threats) in order to create new approaches to regional security. On the other hand, the official framework of cooperation with the OSCE structure provides the country with an opportunity to implement the regional development projects and the security initiatives on the border with Afghanistan.

CONCLUSIONS

1. The U.S. academic community has a much more profound idea about the GCA project designed to expand and promote cooperation among the Central Asian, Middle Eastern, and South Asian states than the U.S. State Department. In the absence of real progress in its relations with Iran Washington is concentrating on the project's practical economic and military expediency. It intends to merge Central and South Asia into a single region.

2. The GCA project presupposes that the local countries will be incorporated into the global West-dominated economic and financial structures. The current world financial and economic crisis, however, dictates caution when it comes to incorporation into the world economy.

3. The problems that interfere with America's intention to implement the GCA project have not, and will not,

remove the issue from Washington's geopolitical agenda: it is a mid- and long-term project.

4. The new American initiatives for the region (of a local and global nature) might be presented in a different context and will, in one way or another, comprise GCA elements.

5. So far cooperation within the GCA project remains passive since the United States is still preoccupied with the domestic developments in Afghanistan, the Iraqi file, the Palestinian-Israeli conflicts, the world financial, economic, and political crises, the Caucasus, and adaptation of the new U.S. administration to the new foreign policy environment. Russia and China are firmly opposed to the project, which inevitably affects the local policies; the Central Asian countries are demonstrating no unanimity when it comes to cooperation and regional unity. The project designed for the long term, however, is still alive.

6. The GCA project is a geopolitical dimension of the CA + the Caucasus Project functioning within the Silk Road initiative. On the other hand, they compete with one another when it comes to the transportation of resources. On the whole, however, they are being implemented in the context of America's interests, which presupposes controlled geopolitical pluralism in the region.

7. The American regional initiatives have gone beyond the GCA project; in the future they will be realized within the already functioning bilateral agreements and projects. Military cooperation, in particular, is being realized by the U.S. Central Command and NATO. The latter's involvement in the region's socioeconomic development means that the Alliance, as a military bloc, has exceeded the limits of its competence. NATO is using security rhetoric to become involved in the region's socioeconomic and political spheres. In the absence of the GCA project as a real institutionalized integration structure NATO and CSTO remain, and will remain in the foreseeable future, the key Western institutionalized structures involved in the integration efforts within GCA.

8. America's new geopolitical approaches are concentrated on reorienting the region's infrastructure toward South Asia with a special emphasis on the energy corridors; they are seen as a factor of mid- and long-term success in Afghanistan and America's geopolitical breakthroughs in the Caspian. Washington intends to preserve or even fortify its position and adjust the local countries' foreign policy preferences to its interests.

9. The GCA project is the U.S.'s systemic matrix in the region, which determines the aims, tasks, ways, and methods Washington can employ in the new conditions. Its great scope and the somewhat simplified American approach notwithstanding, the task calls for constant analysis and monitoring in the new and far from simple political and geopolitical reality.

10. In view of the fact that, judging by the remarks dropped by leading experts, the project was first geared toward Uzbekistan as the key country and driving force behind integration of Central Asia and Afghanistan, we can expect that the sides will soon restore their strategic relations. This is Uzbekistan's only chance to regain its place among the region's leaders; its present isolation from the West undermines its political influence. America, in turn, is seeking restored relations with Uzbekistan in view of its geostrategic importance in the continued counterterrorist

operation in Afghanistan. This explains why in 2007 and 2008 the sides largely revived their bilateral contacts.¹⁹ Contacts in the military sphere were successfully reanimated when "Tashkent allowed the United States to share the base in Termez with the German Air Force in order to move its military to Afghanistan."²⁰ The expert community is convinced that the Americans will soon return to the Karshy-Khanabad base.

11. Dr. Starr's conception and the official GCA project have at least two important things in common: development of transport corridors in the South Asian direction and making Afghanistan the connecting link between Central and South Asia at some time in the future.

On the whole, the GCA project is part of Washington's vaster strategic plans designed to transform the Eurasian continent (including the Caspian region, Central Asia, the Middle East, and South Asia) into a geoeconomic expanse

controlled by the United States. Potentially this may create a "sanitary cordon" along the Russian (southern) and Chinese (northern) borders while the geopolitical field of regional rivalry could be extended to suit American interests.

On the whole, America's Central Asian policy has acquired its conceptual framework in the form of the GCA project. The recent Caucasian developments (the so-called South Ossetian conflict) greatly changed world and regional policies. The changing global political and economic systems (which keep the Western countries in a state of turbulence) offered the Western bloc a new role and forced it to seek the best possible means to remain afloat. This means that the West will step up its regional geopolitical involvement. The Caucasus is a case in point. I have not posed myself the task of discussing the impact of the Caucasian development on the future of America's Central Asian strategy. That subject deserves a separate article.

¹ See: A. Iazmuradov, "Greater South Asia—America's New Regional Approach to Central and South Asia: How It is Developing and What Prompted It," *Central Asia and the Caucasus*, No. 4 (40), 2006, p. 82.

² See: "Amerikanskaia politika v Afghanistane. Kakov ee kharakter?" October 7, 2003, available at [<http://www.musakov.ru/inc/ind.php?page=6&exist=1&id=202&print=1&year=2003>].

³ See: "Prezidenty Tadjikistana i Afghanistana otkryli most cherez reku Panj," August 26, 2007, available at [<http://www.easttime.ru/news/1/1/298.html>].

⁴ "Po natovskomu proektu SShA postroiut zheleznuiu dorogu v Tsentralnoy Azii," April 1, 2008, available at [http://www.ng.ru/cis/2008-04-01/7_nato.html].

⁵ "Kyrgyzstan i Tadjikistan s 2014 goda budut prodavat' elektroenergiu v Pakistan," August 7, 2008, available at [<http://www.ca-news.org/print/34212>].

⁶ "Postavki elektroenergi iz Uzbekistana v Afghanistan uvelichatsia v tri raza," May 4, 2008. Source: Afghanistan.ru.

⁷ See: "H. Karzai odobril novyiu afghanskuiu strategii NATO," April 7, 2008. Source: Afghanistan.ru.

⁸ See: "Naznachena glava Regional'nogo tsentra OON po preventivnoy diplomatii v Tsentral'noy Azii," available at [<http://www.inform.kz/showarticle.php?lang=rus&id=205468#>].

⁹ Iazmuradov A., op. cit., p. 84.

¹⁰ "Afghanistan, Iran i Tadjikistan budut stroit' zheleznuiu dorogu ot Afghanistana do Kitaia," available at [<http://www.intermost.ru/news/107665/>].

¹¹ "Tajikistan posetili prezidenty Irana i Afghanistana," July 27, 2006," available at [<http://www.cainfo.ru/article/middle-asia-news/884/>].

¹² See: S. Frederick Starr, "A Partnership for Central Asia," *Foreign Affairs*, July/August 2005 (see also: [http://www.cfr.org/publication/8937/partnership_for_central_asia.html]).

¹³ Ibidem.

¹⁴ Davis J., Sweeney M., "Central Asia in U.S. Strategy and Operational Planning: Where do We Go from Here?" available at [<http://www.ifra.org/pdf/s-r-central-asia-72dpi.pdf>].

¹⁵ S. Frederick Starr, op. cit.

¹⁶ M. Laumulin, "U.S. Strategy and Policy in Central Asia," *Central Asia and the Caucasus*, No. 4 (46), 2007, p. 54.

¹⁷ Iskandarov A.I., "Novye integratsionnye initsiativy v Tsentral'noaziatskom regione v usloviakh sovremennoy geopolitiki," *Kazakhstan-Spektr*, No. 2, 2007, p. 28.

¹⁸ N.K. Nadirov, *Tengiz—more нефти, more problem*, NITs Gylym Publishers, Almaty, 2003, p. 164.

¹⁹ The following recent visits testify that bilateral contacts were stirred up: Deputy Assistant of U.S. Secretary of State E. Feigenbaum visited Uzbekistan on February 28-March 5, 2007; Deputy Coordinator at the Bureau of International Information Programs, U.S. Department of State J. Garvey came on April 3-5, 2007; U.S. Ambassador to the OCSE J. Finley on March 15-17, 2007; U.S. Department of State Assistant Coordinator in the Europe/Eurasia Bureau T. Adams on June 3-4, 2007; Ambassador-at-Large for the Office of International Religious Freedom, U.S. Department of State J. Hanford on 25-29 June, 2007; Director, Strategy, Plans and Policy, U.S. Central Command Rear-Admiral J. Miller on December 20-22, 2007; Commander of the U.S. Central Command Admiral W. Fallon on January 24-25, 2008; Acting Deputy Assistant U. S. Secretary of State for South and Central Asian Affairs P. Spratlen on March 28-April 1, 2008 (see: http://mfa.uz/rus/mej_sotr/uzbekistan_i_strani_mira/uzbekistan_strani_ameriki/).

²⁰ Dubnov A., "Tashkent shagaet 'pozitivno'," March 18, 2008, available at [<http://zarubejom.ru/v-nomere/5-ballov/?id=11180>].

Indo-Kazakh Relations: Time to Act

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After the disintegration of USSR in 1991, Kazakhstan emerged as the second largest state, occupying an area of 27, 24,900 sq kilometers with a population of 15 million. Since independence, Kazakhstan has pursued a balanced foreign policy and worked to develop its economy, especially its hydrocarbon sector.

Over the years, Indo-Kazakh relations have been improving and it is primarily based on certain common values such as secularism, democracy and rejection of religious extremism. President Nursultan Nazarbayev being the chief guest at the Republic Day parade on January 26, 2009 acted as a catalyst in strengthening the relations between the two countries.

President Nazarbayev has successfully played high geopolitics mainly due to his country's geography and energy resources. He is even liked by the west for his independent streak. He plays a delicate balancing game of engaging Russia, US and China in every geopolitical competition.

Though Indo-Kazakh relations are warm and cordial, but its economic relations don't match the existing vast potential in this field. India's total export in 2007-2008 was 111.91 million US dollar and the total import amounts to 76.83 million US dollar. Thus, the total trade between the two countries amounts to 188.74 million US dollar^a. Major commodities of export from India are tea, pharmaceuticals, medical equipment, machinery, tobacco, consumer items etc. Major commodities of import are silver, asbestos, steel, aluminium, wool, raw hides etc^b.

Kazakhstan has the world's second largest (2nd after Australia) uranium reserves constituting 17 percent and accounts for 15 percent of the total production. However, with focus on uranium exploration, Kazakhstan is likely to become world's largest producer by 2010. Whereas India's reserve is meager one percent.

The country possesses vast energy reserves as well as other minerals. Kazakhstan's oil reserves are about 35 billion barrels and are projected to touch 100-110 billion barrels by 2015. The current annual production of 92 million tonnes would jump to 140 million tonnes by 2012^c. Kazakhstan's strategic location along the Caspian Sea is hard to overemphasize. The Caspian Sea has the world's third largest oil reserve, by some estimates, containing 200 billion barrels of oil and 236 trillion cubic feet of proven natural gas reserves^d.

The existing environment is very conducive and there is a need of increasing our economic and commercial cooperation manifold.

AGREEMENT SIGNED

Keeping in mind India's growing energy needs, both countries on January 24, 2009 signed a major agreement for supply of uranium and comprehensive cooperation in civil nuclear energy program. The MoU was signed by Moukhtar Dzhahashev, President of Kazatomprom, and SK Jain, Chairman of the Nuclear Power Cooperation of India (NPCIL).

The pact was among a clutch of other agreements signed during the visit of President Nazarbayev. In the presence of the President Pratibha Patil, External Affairs Minister Pranab Mukherjee and his Kazakh counterpart Marat Tazhin signed the extradition treaty.

Besides these, both countries also signed a protocol on the accession of Kazakhstan to the World Trade Organization. The protocol was signed by the Minister of State for Commerce Jairam Ramesh and Kazakh Minister of Trade and Industry Vladimir Shkolnik. A memorandum of understanding between Indian Space Research Organisation (ISRO) and Kazakh Space Agency for space cooperation was also signed. Additionally, upstream oil majors, ONGC Mittal Energy Ltd and state run KazMunaiGas (KMG) signed an agreement for exploration in the Satpayev block in the Caspian Sea. The Indian firm has been offered 25 percent in the block^e.

ENHANCING COOPERATION

The present deal signed between the two countries opens up possibilities of business as well as political cooperation. The nuclear cooperation will further enhance in the mining for natural uranium, deliveries of Kazakh natural uranium products for Indian nuclear industry as well as training of the personnel. It will also help in the study on the subject of nuclear power projects in Kazakhstan on the basis of Indian pressurized heavy water reactor (PHWR) designs.

To sustain its economic progress, New Delhi is interested in nuclear power generation. While Indian reactors currently account for 3 to 4 percent of the country's power needs, it has planned 19 nuclear power reactors to have 20,000 MWe of nuclear capacity by 2020. However, a lack of uranium reserve, as well as its isolation from nuclear industry trade, has hampered the country's nuclear energy sector. In order to overcome that it has also signed nuclear cooperation agreements with France, Russia, USA and Canada^f. Where as Kazakhstan is also broadening its contacts in the last few years seeking out potential partners in Russia, Japan and China in an attempt to ensure that rather than remaining simply a source of raw uranium, it eventually can participate in all stages of nuclear fuel production cycle.

Both countries have also inked deal in oil and gas sector. There is a need to boost this cooperation, as Kazakhstan has ample potential for investment in the oil, setting up of refineries, pipeline construction and gas. India has expertise in oil exploration and refining and can play a leading role in the development of oil and gas sector of Kazakhstan, thus meeting the requirement of both countries.

Military export is another prospective area where India and Kazakhstan can cooperate. Historically, both countries have been carrying out a number of joint projects aimed at modernizing and repairing the torpedoes of Indian Navy. Currently, Indian Navy is equipped with hundreds of torpedoes that were produced in Kazakhstan during the Soviet era. Kazakhstan's specialists in this field are clearly hoping to foster their own niche within the naval arms market. In fact Indian firm Larson and Toubro believe that production of such arms could shift to plants in India, with Kazakh expertise and supervision.

Both countries can also enhance cooperation in the textile sector. The Kazakh companies have expressed interest in the import of textiles from India, mainly home textiles and training of textile engineering and design students in the country. Though the current value of textile trade between the two countries is low, there are enormous scopes in increasing bilateral trade in this sector between the two countries.

Kazakhstan is also one of the leaders in the production of grain and flour in the world. During the 17th annual session of the OSCE in June 2008, President Nazarbayev laid emphasis on food security and in turn for more cooperation in the agriculture sector, a stand India would appreciate considerably. Commercial farming coupled with food processing industry could be another area of cooperation.

In the domain of real estate, construction is another major area which the new capital of Kazakhstan is looking for. There is a lot of opportunities in the continuing expansion of the capital, Astana, and in strengthening and diversifying the country's infrastructure. There is a growing demand for all types of construction services like maintenance and renovation of industries and public utilities and residential buildings, design and assembly services. This has also been assessed by the Confederation of Indian Industry (CII) and stressed the need of cooperation between the two countries.

Besides all these, India should continue to boost cooperation with Kazakhstan on the regional security front. The Kazakhs have expressed a desire to establish a naval fleet to guard its interests in the Caspian region. They have looked to India for assistance and we should be happy to oblige, much to the chagrin of Russia.

CONCLUSION

The fourth visit of the President Nazarbayev has really acted as a catalyst in bolstering the relationship between the two countries. Both countries need each other to make their energy as well as other dreams come true. Both economies have weathered the global economic downturn fairly well, but the bureaucracies in both countries have to be prodded to move the contracts from paper to reality. As far as the Caspian oil is concerned, India has to compete with the companies of western countries operating there for years.

India's growing population and economy need sustainable sources of energy – the problem of inadequate power supply is already acute and will likely to get worse if remedial measures aren't taken immediately. In doing so, both India and Kazakhstan need not neglect other equally important areas of mutual interests. With the demand shrinking in the West, Indian industry is looking at Central Asia for stimulus. There is a greater need to lay ground work for joint ventures in defense, textiles, pharmaceuticals, food processing, fertilizers, information technology and education.

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¹ Department of Commerce, Export Import Data Bank, <http://commerce.nic.in/eidb/iecnt.asp>

² FICCI Report

³ Stobdan, P. "Courting Central Asia", *Times of India* (India) January 27, 2009.

⁴ "India and Kazakhstan: Impetus needed in Relationship", <http://mutiny.in/2009/01/20>

⁵ "Kazakhstan Signs Agreement to Supply Uranium", *The Hindu* (India), January 25, 2009.

⁶ "Kazakhstan and India Sign Nuclear Cooperation Accord", www.world-nuclear-news.org, accessed on January 20, 2009.

Strategic Cooperation of the Republic of Kazakhstan and the Republic of India in the 21st Century

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The modern world order shows more increased interrelation of internal and external aspects of the development of countries. Formation mechanisms of management connected with bilateral and multilateral partnership, it creates opportunities to resist new threats and risks. With the purpose of strengthening position of countries on international scene, Kazakhstan's and India's policy of interaction appears not only as realization in life the plans of bilateral interaction, but also regional cooperation.

As well as Kazakhstan, India is a polyethnic and multi-confessional country with old traditions and history. India saves up significant experience of democratic development, interaction with international financial institutions and multinational corporations and multilevel system of Indian economic development.

For the last decade, India's status has considerably grown on the world political arena. To this in many respects promotes its active foreign policy line, which major principles are: principle of non-alignment, nonparticipation in military unions, principle of respect for the territorial integrity and sovereignty of country, non-interference to internal affairs, principle of equality and mutual benefit [1]. Indian diplomacy actively operates in all continents, maintaining constructive relations practically with all the states of world and it aspires to development of regional integration.

These facts testify that the spent foreign policy of the Indian government, in many respects determines the main priorities of Kazakhstan's diplomacy. In political plan, to purposeful Kazakhstan-Indian dialogue is promoted also the common visions of countries the actual questions of modern international relations, problems of regional security, in particular, the struggle against international terrorism and religious extremism and adherence of the countries of region to reduction and liquidation of the weapon of mass destruction [2]. Also states appearances for development of the multipolar world and for increas-

ing the role of international regional structures and organizations. The Kazakhstan - Indian initiatives, their mutual interests conduct to strengthening cooperation and construction of dialogue between Asian states within the framework of CICA, ASEAN.

Kazakhstan aspires to bring the contribution to strengthening global harmony and stability. That fact, that in the polyethnic country strongly reins multiconfessional and the interethnic consent, speaks about much, first that Kazakhstan became an integral part of civilized community [3]. Confirmation to development of spiritual dialogue serves the understanding of necessity maintenance of peaceful coexistence of religions and civilizations for the blessing of world and global security within the framework of Congress of World's Religions, initiated by President of the Republic of Kazakhstan Nursultan Nazarbaev. India is the active participant of this Forum that, certainly, in many respects promotes strengthening of mutual understanding between two countries.

Besides Kazakhstan and India confirm the firm adherence of integration and to multilateral cooperation at the regional level in frameworks SCO, which it has two priority directions: security and economy. At the beginning of process of organization formation, participant's states have created the system of common security based on the directions of normalization and stabilization of the relations among countries. Further, the system of common security evaluated in structure of security based on cooperation, it reflected on its institutional structure in the modern form. In addition, the mechanisms of regional political and economical integration allow effectively realize natural competitive advantages of the SCO participants [4]. The produced model of cooperation the participant's states have named «Shanghai's spirit» is more necessary now. «Shanghai's spirit» has enriched theory and practice of the modern international relations, putting into practice a general aspiration of the world society to democratization of international relations [5]. The organization shows the fine example of partnership which strategy's purpose

is the strengthening of regional security and stability, assistance to economical progress and integrational processes at preservation of the national and cultural features of each state. «The factor SCO» is an important element of stability in Asia [6]. Therefore, now interest of other states, in particular, India and multilateral associations to current work and forms of SCO grows.

Besides the Kazakh - Indian interests in development of positive political dialogue at multilateral and bilateral levels promotes to adjustment and strengthening of close contacts in different areas. Between the countries are agreements achieved in trade and economical spheres, in the field of information technologies, business, pharmaceuticals, professional trainings, tourism, and in development of power, military and technical, cultural and scientific interaction [7].

Interest of Kazakhstan and India in development of bilateral cooperation in sphere of security has been reflected in Memorandum of Military and Technical Cooperation between Governments of the Countries [8], in Protocol between Committee on Defense Industry of Ministry of Economy and Trade of Kazakhstan and Ministry of Defense of India, in Agreement on Creation of Joint Working Group on Struggle with International Terrorism [9]. It is necessary to note, that conclusion of these documents in the field of military and technical cooperation between Kazakhstan and India have positive dynamics of development. In the first session of joint working group (Astana, October 21-22, 2002) have been achieved arrangements on scientific and technical cooperation in military area, modernization of available technical equipment and arms at Naval Forces of India, rendering of assistance in development of Naval Forces of Kazakhstan, mutual visits of experts, and interaction between law enforcement bodies of two countries in the field of counteraction to terrorism, extremism and illegal trafficking of weapons.

In this connection, designated by President of Kazakhstan Nursultan Nazarbaev in annual state of the nation address, Strategy of Kazakhstan's Entry into the Ranks of the 50 Most Competitive Countries of the World, tasks in strengthening and expansion of international cooperation in struggle against new threats and calls are especially acute and they serve as mechanism of strengthening of mutually advantageous cooperation between Kazakhstan and India.

In sphere of cooperation between Kazakhstan and India in economy, experience of India is obviously important for studying. The long-term planning, systematical process of development of economical reforms directed on activization of the business and industry essentially distinguishes Indian economy from economy of the majority of countries where the market institutions carry out the main functions of regulation of the economical activity. From the first years of realization the Indian reforms were accompanied by growth of manufacture and investments. Revival of the investment climate was carried out by purchase of actions within the framework of realization intermediate and long-term programs in development of the basis sectors of economy, such as power supply, construction of infrastructure, etc. It promoted to dynamical development the market of information technologies [10]. All reforms directed in realization of the long-term state's

programs of development the infrastructural branches of economy (power, oil, transport) have strengthened the structure of Indian economy and it have led to positive results. Also, the country created large modern manufactures in aero space and military branches and achieved the high level of computerization [11].

Considering perspective directions of technical development, Kazakhstan also has put before itself the strategic task, the nearest years to place country into the ranks of the 50 most competitive countries of the world, and attentively traces global tendencies of development of science, technology and education. Important directions of a new technological order are global information networks and high-speed transport systems, space technologies, biotechnologies, nano-technologies, manufacture of constructional materials with preset properties, nuclear power [12].

In this connection, Kazakhstan has developed Program on Formation and Development of National Innovative System for 2003-2015 years and has accepted Strategy of Industrial-Innovative Development. Thus, the model of outstripping development of priority branches for creation of cluster's lines having economical potential of increase in competitiveness of the country is chosen. In addition, experience of India for Kazakhstan, in our opinion, in this direction it has great value. Besides the Government of Kazakhstan also pays the important attention to attraction of innovations in such fast-growing industries, as manufacture of computer programs, electronic industry, mechanical engineering, etc. In this connection, the increasing role in system of scientific development is got by universities, research institutes of India, which they being the scientific complexes, borrowed not only training of experts, but also fundamental and applied researches in the field of technical, natural and humanities spheres.

As a whole, political stability, investment opportunities of the countries, scientific and economic potential of Kazakhstan and India represent special appeal for the further deepening of mutual relations. In achievement of these purposes, a favorable role is played complementarity of economy of two countries. Proceeding from representations of economical security, Indian government expresses interest in cooperation with Kazakhstan's companies in joint projects with the purpose of the establishment of strategic partnership in priority areas. Perspective directions in Kazakhstan-Indian cooperation are the projects connected with investigation and development of a new oil deposits, increase in efficiency of oil recovery at working deposits, military and technical, industrial spheres, etc. [13].

Besides, for Kazakhstan significant interest represents, directly, high technology production that assumes commercialization of results the advanced development in such areas, as information, telecommunication technologies, biotechnologies, and pharmaceuticals.

In social and economic policy of India were bound classic ideas of the western industrialization and the national traditions [14]. As against Kazakhstan, Indian way to liberalization and globalization of economy was started in 1980th, and preconditions of reforms were created after Indian independence. The opportunity of development to this way has been incorporated in mixed economy, which

it assumed presence, both in the private and state sectors. However, Indian economy always remained economy of the private sector.

As a whole, the financial opportunities of India, its experience in realization of the economic reforms represent special appeal for Kazakhstan. In achievement of these purposes, the favorable role is played mutually advantageous for the economy of the two countries. Proceeding from reasons of the economic security, Indian management expresses deep interest in cooperation with Kazakhstan's companies in joint projects with the purpose of establishment of the strategic union in the sphere of energy. Perspective directions of the Kazakh-Indian cooperation are the projects connected with investigation and development of new oil deposits and increasing efficiency of oil recovery [15]. Kazakhstan's companies at planning of our participation in the fuel-energy's projects in Indian territory, they should consider not only variants of cooperation with the Indian state corporations, but also consider the changes in this sector of economy and the influences of local and foreign companies, because their participation and role in realization of different the energy's projects grows.

The Indian organizations and companies bring significant contribution in to the Kazakh-Indian cooperation by participation in expansion and modernization of the transport infrastructure of Kazakhstan. Perspective direction of development bilateral the Kazakh-Indian constructive dialogue communicates with the high technology productions. It assumes commercialization of advanced researches in such areas, as information, telecommunication's technologies, biotechnologies and pharmaceuticals [16]. In Indian national program of development, the biotechnology is one of the priority directions reflecting modern level of social and economic development of the country. In future, realization of joint research will be a mechanism of the formation cooperation among Kazakhstan's and Indian's biotechnological companies.

Besides, the Strategy of Industrial and Innovative Development of the Republic of Kazakhstan, use of Kazakhstan's ideas in sphere of biotechnologies and the Indian research's base with created the favorable conditions open opportunities for mutually advantageous economic cooperation and innovative development in

the field of metallurgy, fuel-energy and military-industrial complex, information exchange, biotechnologies, transport infrastructure and road construction among the countries [17]. It will give to bilateral relations of the countries a new dynamics, as in modern economy the appreciable and rather fast success in sphere of social and economical development possible to achieve only by maintenance of the high market's competitiveness of industrial sector based on its essential innovative structural and technological reorganization.

In conditions of globalization, the questions of development of the space actualized. The Indian and Kazakhstan governments give attention to realization of the national space programs. Constructive interaction in development of the space and the further partnership of Kazakhstan and India has been declared in the bilateral exchange of statements in this area. The political leaders have signed intergovernment agreements of cooperation in the field of research and use of the space for the peaceful purposes and about the long-term cooperation in sphere of joint development, exploitation and use of the satellite system [18].

The development of such complex's directions of cooperation is perspective and actual for Kazakhstan and India, and it represents the important potential, which to both countries still should be mastered. The success of cooperation will directly depend from the political and business contacts among the countries in realization of joint projects.

In this connection, the official visit of the President of the Republic of Kazakhstan Nursultan Nazarbaev in January 2009 to the Republic of India, in our opinion, will serve to the basis for realization of concrete actions in perspective spheres of cooperation between the countries.

Thus, considering different vectors of the Kazakh-Indian constructive interaction, it is necessary to note, that for India and Kazakhstan the development of long-term partnership concerns to number of the high priorities and factors of foreign policy in realization of the national interests of two countries. Besides, Kazakhstan and India represent strategically important political and economical zone in development of Asian regional cooperation, and the countries plays important role in decision making of the problems of regional stability and security.

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Prospects for Indian-Kazakhstan Cooperation in the Field of Education

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Speaking about Kazakh-Indian relations it is to be highlighted that the beginning of historical and cultural ties between Kazakhstan and India refers to around 500 B.C. when the Saki tribes came to India from Southern Kazakhstan and founded mighty empires. Later on, when Buddhism spread in the Central Asia, the contacts between the nations activated. The Great Silk Way not only encouraged the goods exchange, but the world perception enrichment and cultural interaction as well.

In the modern period, India was among the first states to acknowledge Kazakhstan as an independent nation. Today, the relations between Kazakhstan and India become increasingly significant and by now have achieved the level of strategic partnership. The states have similar views on many security issues: military and political, energy, food, etc. The parties are also highly concerned with developing cooperation in social and humanitarian area, specifically in the field of education. Education is quite a promising field for bilateral cooperation, especially as the structure of national education systems is similar. Both systems suggest the following:

- Preschool education level to be available,
- 12 years of education (Kazakhstan is now shifting secondary education for a 12-year cycle)
- Higher education (Undergraduate studies)
- Graduate studies (Master and PhD programs)

The academic timeframes practically match at all levels.¹

However, analysis of speech texts of both state officials and analytical papers demonstrates that cooperation in the field of education is far beyond the top priorities, such as counterterrorism, hydrocarbon supplies, civil nuclear engineering and increase of goods turnover between the states. The education just follows these. It is also to be noted that the bilateral education discourse is always closely related to science and culture.

Therefore, the education is a strategically important field. The role of education is substantially increasing in the modern conditions with infocomm technologies development reshaping global social and economic environment. It is the matter increasing role of information and expertise.

We should stress the following moments:

- Rampant development of new information and telecommunication technologies has the character of global information revolution which increasing influences on politics, economy, government, finance, science, culture and other areas of social life within national borders and worldwide

- Information technology revolution, we are witnessing today, designates the progression to a completely new type of society, which is information society. One of its basic attributes is its global character.

- On the face of it, information and telecommunication technologies, globalization of trade flows and globalization of security systems easily spread all over the planet.

- However, the third wave has its deeper layers – new global values, new motivation for politicians, new standards of everyday life, work, education, new economy with new resources, new capital and new relations between companies and their clients, between employer and employee, new means of production and new implication of surplus exchange value.

- The percentage of intellectual work based on use of expertise is steadily rising. Today, adaptability and continuous retraining are normal. The people with high-class education that provides them with information abilities have more chances to survive in the new globalized economy.

Logically it may be expected that the role of cooperation in the education field will be increasing. What is the current status of Kazakh-Indian cooperation in this sphere?

Generally, the cooperation may be classified in the following levels:

- Intergovernment level
- Interagency level
- Interuniversity agreement level

The intergovernment level involves forming a discourse of cooperation concern and legal framework. A fundamental document setting principles of bilateral cooperation in the education field is the Agreement between the Government of the Republic of Kazakhstan and the Government of the Republic of India on Cooperation in the Field of Culture, Art, Education, Science, Mass Media and Sport. Delhi, 22/02/1992.² Generally speaking, the agreement

is focused on maintaining and strengthening all aspects of cultural and humanitarian cooperation. Specifically, this document enables citizens of both states to study in Kazakh and Indian educational, cultural, scientific and technical institutions.

At the interagency relations level a **military education** appears to be the most successful. Military men of Kazakhstan's Army have opportunity to study in such prestigious institutes as the National Academy of Defense (Puna city), the Command-Staff college (*Vilington* city) and other specialized educational centers. 50 military men of the Armed Forces of the Republic of Kazakhstan passed training over the period of cooperation. It is planned to send to study another 30 military in 2009.

For Kazakh military men having up-to-date knowledge in counterterrorism activity it is critical to have an opportunity to study basics of large-scale combat operations with all branches of forces applied. In September 2007 in Astana India supported opening of the English Language Laboratory on the basis of the Defense Language Institute of Ministry of Kazakhstan's Defense. The Laboratory is designed for training Kazakhstani officers and contracted military men.

Another promising education sector is medicine.

If I see groups of young Indians in the streets of Almaty I know for sure that they are medical students. Training Indian students for medical specialties in Kazakhstan has already become traditional. It is the cooperation in the medical education sphere demonstrating that any problems can be solved if desired.⁴ Thus, the problems with recognizing Kazakhstani medical diplomas by the Indian have been solved. At the same time the parties faced a new problem, which is: missing legal mechanisms of admitting Indian students to Kazakhstani institutions of higher education. In accordance with the Kazakhstan law, entering the institutions is only possible if you have a certificate of passing the Consolidated National Test. Indian applicants do not perform such procedure.

The examples of cooperation at an interuniversity level are: the memorandum of understanding between the L. Gumilyov Eurasian University and the **Jawaharlal Nehru** University (2002), the memorandum of understanding between the Department of International Relations of the al-Farabi Kazakh National University and Research Centers of the **Jawaharlal Nehru** University (2005), the memorandum of understanding between the Department of History of the Y.A. Buketov Karaganda State University and Himalayan and Central Asian Studies Centre.⁵

The significance of implementing the India Technical and Economic Cooperation Program (ITEC) is very remarkable. Up-to-date there are about 400 Kazakh specialists who were trained under the ITEC Program.⁶ Among the most popular courses there are economy, banking, IT and learning English as a second language.

Effective from 2008 the Indian institutions of higher education are listed among the others where scholars of Bolashak enter.⁷

The Indian Cultural Center under the Embassy of India in Kazakhstan plays a major role in establishing educational

contacts. Indian cultural Center has set up five Centers for studying Hindi at the five universities of Kazakhstan. They are the al-Farabi Kazakh National University in Almaty, the Kazakh University of International Relations and World Languages named after Ablay Khan in Almaty, the Eurasian University named after L. Gumilev in Astana, the Kazakh State University named after M. Dulaty in Taraz and the Southern Kazakh State University named after M. Auezov in Shymkent. These centers operate as integral part of the university and conduct Hindi classes on the regular basis.⁸

In 2008 the Kazakh Language Center was opened in New Delhi. Kazakh language and research center opened in Jamila Millia Islamia university, India. Kazakh is taught there at special courses, but later the list of taught subjects is to be enlarged. Culture, external and internal policy of modern Kazakhstan, its socioeconomic development will be among them.⁹

The list of programs and institutes that provide education opportunities may be continued.

However, there are certain problems to be mentioned that limit the opportunities of cooperation in the education field.

The first is a language barrier. Most of Kazakhstan's citizens do not have English language skills required to study abroad.

The second is that Kazakhstan's citizens are poorly aware of the opportunities to receive higher and postgraduate education in India. A fact to mention is that the embassies of both states give their best efforts to solve this problem. As an example, Ashok Sajjanhar, Ambassador Extraordinary and Plenipotentiary of the Republic of India to the Republic of Kazakhstan, making speech in Kazakh National Pedagogical University named after Abay, informed students about possibilities to study in Indian universities.¹⁰

The third is missing legal basis to regulate exchange of teachers and students.

The fourth is a lack of image policy. It is obvious, that capabilities of entities to execute their interests in real space depend largely on their image in information space.

An image, or, in other words, an impression made is one of the major aspects of common perception and assessment of an entity.

A state's political image is an imaginary figure of the state that domestic and foreign citizens possess. A state's image is not just a mental figure as a reality reflection. It is a specific modeled purposeful reflection of something created by professionals based on certain reality and figure.

What are the factors affecting the state's political image formation abroad?

1. The official authorities' activity, basically that of a Ministry of Foreign Affairs, as well as politicians who speak before a foreign audience, at international conferences and so on. This is much more important in conditions of developed communication systems as today's speech and the ideas that will concern a mass audience will be replicated in mass media and accompanied with analytic comments tomorrow. In connection with this, it shall be

noted that a great contribution to forming a positive image of the two states is being made by both the Embassy of India in Kazakhstan and the Embassy of Kazakhstan in India.

2. People's diplomacy, which in this case implies the citizens of Kazakhstan coming to India and the citizens of India coming to Kazakhstan. The contacts' influence can hardly be overestimated as for each of us a personal experience of communication with foreign nationals gives much more than even a "proper" campaign in mass media. It is almost impossible to ruin a personal communication experience and memorized partner peculiarities.

3. Film production, quality of goods produced and exported by the state, as well as object image formed in other local information spaces, in other words, the image of India in this case reproduced by mass media and foreign citizens.

And what is the image of India in Kazakhstan's information space?

First of all, let us determine the levels that this image is formed at. In the author's view, there are two such levels – a stereotype and physical level (I mean level of personal intercommunication or face to face communication).

The physical level involves actual contact between Kazakh people and India, its citizens, companies, structures and organizations. The most active areas at this level are diplomatic, tourist, scientific, educational and business ones.

The stereotype perception level is of a special interest. It is a level of prevailing mass media, literature and film production, as well as informal channels of information transfer in the form of rumors.

It should be mentioned that the both levels are directly interacting and in some degree mutually feeding.

In the course of the research the author analyzed the Kazakh discourse of India. The following is three types of the discourse: official, mediator (a discourse generated by mass media) and unofficial one reproduced by ordinary Kazakh people.

What is the official discourse?

First, it should be noted that there are not so many texts to address to the Indian subject. The year 2009 is exclusion due to the latest visit of President Nursultan Nazarbayev to India. In official texts India is presented as a potential strategic partner. A possible cooperation involves priority areas, such as information technologies, military and technical engagement and cultural humanitarian exchange. The Government of the Republic of Kazakhstan also underlines similarity of the two states' positions on many issues of establishing international relations and ensuring security.¹¹

The discourse of India generated at the mediator level is the most diversified. The public, political and analytical publications normally use a subject of security (such as Indian-Pakistani relations, the issues of counterterrorism, a nuclear aspect), as well as problems of increasing energy demands of dynamically developing state.¹²

Periodicals, as well as news, TV and radio programs do not provide plots on the Indian subject often. For example, the Khabar channel aired the total of 15 plots in

2007-2009 (before President Nazarbayev's visit to India), including 5 plots in January 2009.¹³ The increased attention is mainly caused by the forthcoming visit of the President Nazarbayev to India. The plots are devoted to perspectives of the bilateral relations. Last year the KTK channel aired 4 plots, three of which regarded food safety and the other one regarded nuclear programs of India and Pakistan.¹⁴ The tragic events of November 2008 in Mumbai became a striking information subject. The information was mostly broadcasted in Internet, however, was sufficiently presented in TV and radio formats as well.

The Indian cinematography needs to be mentioned specifically. Most of the middle-aged and elderly people grew up watching Indian movies. Many of the song lyrics became popular quotations. One cannot say the same about the young generation. Of course, the Indian film-making products that the Kazakh viewers got used to, do not reflect modern trends of India development any more. However, they accomplish another mission – they give an idea about traditional culture. Documentaries and science films about India are practically missing in the Kazakh information space.

The author held a brief survey aimed at identifying unofficial discourse.

The survey was made in Almaty. There were 100 people interviewed, men and women aged 20 to 70 with different education levels and different social status. The most frequently mentioned symbols were: Indira Gandhi, Jawaharlal Nehru, Buddha, sari, yoga, elephant, Indian movies and Taj Mahal. The most frequently given characteristics were: rapidly developing country, commitment to traditions, a beautiful country with rich culture.

There are some differences between perception of India by men and women. For women India is sari, yoga, dances, rice, Indian movies and sea. For men India is Aishwarya Rai, Goa, elephants and political symbols. There are some differences between the perception of India by different age categories. The older respondents, are the more knowledge they have about India. The younger respondents, the less political symbols they reproduce.

As a conclusion, it can be stated that India in the information space of Kazakhstan appears to be a large regional country with high development rate acting as a main competitor to China in this regard. India is a state that has an ancient history reflected in architectural monuments and an interesting place for vacations. It combines traditions and innovations. India is nuclear state having unresolved problems with Pakistan and exposed to terrorist attacks. The most developing production areas are pharmaceuticals and innovation technologies. In addition to the above the possible areas of Kazakhstan-India cooperation are energy, space, uranium and agriculture.

Clearly, all of the above are just marks on the portrait of India, however, it is enough to conclude that the formed image meets interests of interstate cooperation (in the areas of uranium, space and energy). It not enough motivations to establish contacts in the format "people-to-people". But today development of the infocomm technologies, increasing role of information flows, social networking and

transnationalism create new opportunities for developing relations in a people to people format.

Improving prospects for bilateral cooperation in education field requires the above problems to be solved. What steps should be done?

Step 1: the parties shall diversify a structure of partners. The Kazakhstan regional institutions of higher education are highly potential.

Step 2: as for further cooperation perspectives - the distance learning development is deemed to be one of the most promising directions. This kind of approach is less expensive for potential students.

Step 3: founding Indian-Kazakh institution of higher education in India and Kazakh-Indian institution in Ka-

zakhstan is an advantage as well. Kazakhstan has already had such experience with Russia, Germany and Great Britain.

Step 4: participation in educational exhibition's. Such kind of activity will help to popularize the services in higher education field, given by both sides.

Step 5: it is needed to strengthen existing contacts between universities including science field.

Step 6: universities and other institutes and structures should inform population of both countries in Russian, Kazakh and English.

Step 7: to establish bilateral expert council in the educational field to generate ideas and strategy for the further bilateral cooperation.

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Interests of China and India in Central Asia

ADIL KAUKENOV

Last years tendencies of world economic development testify an amplifying global competition. Thus one of the main questions is the competition between China and India. For today, a competition between Beijing and Delhi in the Central Asia already starts to be shown considerably.

The accruing competition between China and India is defined by national interests of the given countries in the Central Asia and, as well as practically in all regions of the world, has in many respects mutually exclusive character. Marking interests of China and India in Central Asia, they can be divided into two big blocks: interests in sphere of security and economic interests.

Interests of China **in security sphere** in Central Asia consist of the following:

- Struggle against terrorism, separatism and extremism;
- Maintenance of security of borders;
- Maintenance of stability in region;
- Maintenance of friendship of the countries of region to China;
- Precluding Central Asia from falling under the monopolistic control of states hostile to China
- Precluding creations of the military unions in region directed against China;

The overall objective of China - not to admit, that the given region became base of East Turkestani forces outside of China and the channel of their communication with the international terrorism.

At the same time preservation of Central Asia as stable strategic back of China - a prominent aspect of global strategy and geopolitics of Beijing. It means inclusion of Central Asia in the general external strategy of China, including definition of its role in this strategy. Preservation of Central Asia as stable strategic back of Beijing depends on three conditions.

First, from the decision of questions at issue on borders between China and the countries of region and from an establishment of the peace and security in frontier areas. Both problems are practically solved.

Secondly, from carrying out of benevolent foreign policy by the countries of Central Asia in relation to China and from an establishment of comprehensible mutual relations with these republics by China.

Thirdly, Central Asia should not be under the control of any super state or group of super states, first of all with those China has difficult geopolitical and strategic relations.

From this the main principle and a problem of the policy of China in Central Asia follow, namely: China should keep friendly relations with the countries of region and use the best efforts, not to admit the control over them from group

of super states or one of them.

Marking interests of China in economic sphere of cooperation with the Central Asia, it is necessary to allocate the energy factor, trade and economic relations and transit potential of region.

The energy factor. Energy resources of Central Asia represent the special importance for China. Certainly, in the foreseeable future Beijing does not plan to change the basic routes of delivery of oil in the country. Nevertheless, the leadership of China aspires to diversify comprehensively suppliers, ways of transportation and variants of purchase of hydrocarbons. It is connected by that the basic suppliers of energy resources to China are the states from politically unstable region and also that from 70 to 80% of oil deliveries to China passes across Strait of Malacca, supervised by Naval Forces of the USA. Transportation from the countries of Central Asia is rather safe, short and is carried out on land pipelines. Moreover, in the further prospect China has possibility to expand the Central Asian overland highways to Northern Iran and further to the Middle East.

In this connection, China actively develops the market of hydrocarbons of the Central Asian region. Following the results of 2007 the Chinese national oil company (CNPC) became the controllable oil recovery second for the size in Kazakhstan. As a whole, the size of an oil recovery supervised by the Chinese companies in Kazakhstan make 20 million tons from which actually Chinese share which has been not connected by obligations on deliveries in other directions, makes 13 million tons. Growth of volumes of transportation of oil through oil pipeline Atasu-Alashankou in 2007 has made 122 % (4.8 million tons). The basic source of deliveries of raw materials in an oil pipeline is oil field Kumkol which is developed by the Kazakh-Chinese joint venture PetroKazakhstan Kumkol Resources, deliveries from other oil fields in which the Chinese companies participate at present are impossible because of not developed transport infrastructure.

In the given direction Kazakhstan has been the basic partner of China in Central Asia, however for today Beijing conducts active search of forms of cooperation with Uzbekistan and Turkmenistan in the field of gas, and also with Kyrgyzstan in water-power engineering sphere. So on today's a number of large projects as is already studied:

Building of a gas pipeline Turkmenistan-China. After Turkmenbashi Saparmorad Niyazov's death there were certain fears in success of realization of the given project, especially considering active actions of Russian Gazprom in Turkmenistan. However in the end of July 2007 Gurbanguly Berdimykhamedov visited Beijing with the first visit and has signed together with Hu Jintao the agreement between State Agency on Hydrocarbon Resources of

Turkmenistan and CNPC on production section on gas field Bagtiyarlyk (total probable resources are estimated in 1.3 billion cubic meters) on the right bank of the Amu Darya River which becomes a raw-material base for gas pipeline building. Besides, CNPC has signed with TurkmenGaz the contract for 30 years on delivery of 30 billion cubic meters of gas annually, since 2009. Thus Beijing has given out to Ashkhabad the soft loan which will go on purchase of the Chinese chisel installations.

Also China and Turkmenistan have the arrangement to spend teamwork on investigation and working out of deposits for uninterrupted maintenance with raw materials of the specified oil pipeline.

In August 2007 the agreement on building a gas pipeline **Kazakhstan - China** was signed during the state visit to Kazakhstan by chairman of China Hu Jintao. It will be realized in two stages. At the first stage it is planned to expand a gas pipeline Turkmenistan-China, then it will pass through Shymkent to Horgos, and will have throughput of 40 billion cubic meters per year. At the second stage it is planned to construct gas pipeline Beineu-Bozoi-Kyzylorda-Shymkent (1480 km, capacity - 10 billion cubic meters) which will provide giving possibility in the basic highway of the gas extracted on a shelf, in the Aktobe area or on Kumkol group of deposits.

Joint supplementary exploration and working out of deposit Mingbulak in Uzbekistan. On October 15, the same year Chinese National Oil Corporation (CNPC) concluded the contract with Uzbek State holding company Uzbekneftegaz about joint development of deposit Mingbulak in the Namangan area.

The project of development of hydropower resources of the Sary-Djaz in Kyrgyzstan and so forth.

Moreover, besides traditional oil and gas projects, China actively expands cooperation in atomic engineering. In particular, during visit to Kazakhstan of the head of the government of China Wen Jiabao on November 31, 2008 the cooperation agreement in the field of joint development of uranium resources, manufactures of nuclear fuel for the atomic power station, long-term trade in natural uranium, manufacture of atomic energy and building of objects of nuclear power between joint-stock company NAK KazAtomProm and the Chinese Guangdong nuclear power corporation (CGNPC) and the agreement on realization of projects of long-term cooperation in the field of nuclear power between joint-stock company NAK KazAtomProm and the Chinese State Corporation of the nuclear industry (CNNC) have been signed.

TRADE AND ECONOMIC RELATIONS

Intensification of trade and economic relations of China with the countries of Central Asia allow Beijing to use economic and resource potential of the latter with a view of development of the western territories. Now the volume of goods turnover of Xinjiang-Uigur Autonomous Region with the countries of the Central Asia makes over 80% from total amount of goods turnover of China with the countries of the Central Asia.

Prompt growth of trade began in 2001-2002, that is with the moment when program realization on development of the western areas of China began. As a result China has taken the important place in the foreign trade relations of the countries of the Central Asia. Following the results of 2006 the share of China in cumulative goods turnover of Central Asian countries has made 12.68%. For China trade and economic

relations with the countries of the Central Asia do not play a considerable role, in 2006 their share in the foreign trade turnover of China made 0.6%.

The leading place among trading partners of China in Central Asia is confidently occupied by Kazakhstan: bilateral goods turnover in 2007 increased by 66% in comparison with 2006 and reached 13.8 billion US dollar. For the first half of the year 2008 goods turnover Kazakhstan - China has reached 6.5 billion US dollar for the first half of the year, growth of 25%. And following the results of a year can reach 15 billion US dollar.

Also it is necessary to notice, that the share of the goods with the high added value increases in export of China. The considerable gain has been registered on energy and technological equipment, electric cars, plastic and products from them, furniture, cars and tractors. In structure of the Chinese import purchases of oil and mineral oil, and also zinc and production which are let out on its basis have considerably grown from Kazakhstan.

Proceeding from the above, it is possible to ascertain, that China effectively uses economic potential of region in interests of development of the western areas. Also it is necessary to notice, that economic cooperation of China and the countries of the region is the most powerful resource of a policy and diplomacy of Beijing.

TRANSIT POTENTIAL OF THE REGION.

Central Asia is important for Beijing not only for the potential hydrocarbon resources, but also that in the long term it can provide China with an overland exit to Iran, and further to Europe.

Trunk-railways become the main component of overland communications in the Central Asia. In particular it is a question of the project to the so-called Inter-Asian railway (IAR). IAR urged to connect Pacific ports of China (Lianyungang, Jingtao, Tianjing) with Turkey. Creation of the given overland route will allow China to raise competitiveness of its goods at the expense of reduction of terms of delivery. However trunk-railways do not compete against sea transport, and on the contrary, serve decrease in level of reboot of ports.

Besides, development of IAR will allow Beijing to lower dependence of China on trunk-railways of Russia (the Trans-Siberian Railway, BAM) in sphere of transit transportations of the goods to Europe.

The civil-engineering design of the railway China-Kyrgyzstan-Uzbekistan.

China plans to construct by 2010 two railways of a through service to the Central Asia, namely the railway China-Kyrgyzstan-Uzbekistan and line Jinghe-Inin-Horgos which will be joined to the Kazakhstan railway.

Now preliminary work on building of the railway China-Kyrgyzstan-Uzbekistan has already begun. The new railroad line will begin with terminal station of the South Xinjiang railway of Kashi, will be stretched through pass Turgart on border between China and Kyrgyzstan, and then through Kyrgyzstan to Uzbekistan. On railway Jinghe-Inin-Horgos where basically building of bridges has been already finished, tunnels, a railway embankment and other basic constructions, packing of rails has begun. China plans to carry out works on lengthening of this steel line for joining in the west with the Kazakhstan railroad line, to construct the railway from Horgos to Saryozek.

In parallel with railway routes road highways are constructed. In 2004 the Interchinese highway from port

Liangyungan to check point Horgos, on the Kazakhstan-China border has been constructed. The highway passes in many places in parallel to Inter Asian railway. Also 260 km of highway Kashgar-Irkeshtam are constructed. In this frontier point on the Chinese-Kyrgyz border of highway has met road Andizhan-Osh-Irkeshtam.

Central Asia is important for Beijing as the important transport corridor which in the long term can provide China with an overland exit to Iran, and further to Europe. Occurrence of possibility of a lining of overland highways through territory of the countries of Central Asia is important for Beijing in a context of diversification of overland routes to Europe, and also reduction of terms of delivery of Chinese production.

REALIZATION OF INTERESTS OF THE PEOPLE'S REPUBLIC OF CHINA IN REGION INTERFERE WITH THE FOLLOWING FACTORS:

First, it is a competition with the Russian Federation for influence in region, and as a result deterioration of mutual relations of two countries. On the one hand, extending economic and political influence of the Peoples Republic of China will inevitably push off Beijing with Moscow. Amplifying trade and economic, political and cultural contacts of China to the region countries, and also building of highways on oil and gas transportations to China deprive the Russian Federation the basic levers of influence on the countries of the Central Asia. On the other hand, Beijing objectively is not interested in worsening mutual relation with the strategic partner.

Secondly, it is risks connected with intervention of other powers (essentially the USA) in region affairs to the detriment of interests of China. The given problem gets still the big importance for Beijing taking into account plans of the USA on restraint of growth of China, and also in the light of internal political problems of China (instability in Xinjiang).

Thirdly, the Anti-Chinese moods in the region, based on traditional Sino phobia and discontent with practice with conducting China of trade and economic relations with the region countries.

China applies the same approaches for overcoming of the above-stated problems, as in other regions - bilateral and multilateral diplomacy, deepens interaction in the framework of SCO. Also China uses other tools for expansion of the influence in region, such as strengthening of trade and economic relations, granting to the region countries the economic help in the form of soft loans and lends, increase of level of cooperation in military area, and also expansions of a cultural contact.

As to India it is one of the most dynamically developing countries. Alongside China, India is positioning itself as a future superpower and its foreign policy addresses a range of important global economic and political issues. At the same time, being one of the leading regional powers, India is conducting a policy of 'Face the East' and Central Asia is considered to be one of its priority directions. Attention towards the region is conditional on its aspirations of looking out for its national interests and desire to raise its international status and not lag behind its main rival in Asia - China.

The interests of and threats to India and the CA republics are the same - the fight against Islamic extremism, terrorism, drug trafficking, the chaotic situation in Afghanistan and most important, **ensuring regional security**. By increasing its cooperation with CA countries in this sphere, India is

aspiring to lessen the influence of Pakistan, that Indians see as the main stronghold of international terrorism and Islamic extremism in the region.

India has undertaken some steps directed on creation of conditions, allowing it to play more significant role in region:

- The rapprochement of India with CA states began with helping the republics move towards joining the Non-aligned Movement, in which India plays a leading role. Uzbekistan and Turkmenistan are already members of this organization and Kazakhstan and Kyrgyzstan have observer status;

- India has shown an interest in the activities of the Shanghai Cooperation Organization (SCO), one of whose main activities is the war on terrorism and ensuring regional security. At the summit in Astana in 2005, India and Pakistan were granted observer status of this organization;

- From 2003 to 2005 bilateral anti-terrorism agreements were signed with Tajikistan, Kazakhstan, Uzbekistan and Kyrgyzstan, which proposed setting up joint groups to fight terrorism, exchange experience, joint studies and training military personnel from CA states in India. Definite steps have already been taken in this direction. Especially close military-political cooperation has developed between India and Tajikistan.

Interests in the field of power, along with maintenance of political stability, are, perhaps, the basic stimulus pushing India to strengthening of the influence in region. Energy consumption in India as it is supposed, will grow in area between 3.6 and 4.3 % annually, and more than to double by 2030. It will make India the third largest importer of oil by 2025. Its stable economic development depends on security of the country deliveries of hydrocarbons, and consequently also national security. At present approximately 70% of oil and gas India imports from the countries of Persian Gulf. The conflict in Iraq, affected a rise in prices for oil, has pushed the Indian government to search of alternative sources of raw materials. Central Asia is considered as perspective in this respect region.

In Kazakhstan the Indian oil company ONGC Videsh Ltd has a share holding of the Kazakhstan deposit Alibekmola and 10%-s' share holding of a deposit Kurmangazy, and in the transaction on purchase of oil company PetroKazakhstan India not casually was the main competitor of China. Also India is ready to enclose investments into oil and gas branch of Uzbekistan. During the visit of President of Uzbekistan Islam Karimov to India in April 2005 among the other questions of cooperation in the field of energy were discussed also.

However, even if India gains access to the oil and gas fields in the region, serious problems remain about how it would be able to benefit from the existing pipeline systems between countries. It is possible that the question of ensuring oil and gas supplies to India could involve the Turkmenistan-Afghanistan-Pakistan pipeline project. To make the project profitable, it would be necessary to sign up India, whose market for gas would justify such a massive project. For a long time India delayed confirming its participation in the project citing the difficult internal political situation in the region, but in 2005 it joined talks between the member-countries of the project. An alternative is the Russian suggestion to construct a gas pipeline from Iran to India via Pakistan's territorial waters. India is in discussions about both projects, which are currently the subject of technical-economic feasibility studies. India's energy policy is long-term. Currently it has to ensure its

own supplies of oil and gas from the Persian Gulf countries. The significance of CA as a source of energy resources will grow as supplies from more accessible geographical regions become exhausted and there will be difficulties in supplying oil and gas from these regions.

The countries of Central Asia are of interest for India and from the point of view of development of **trade and economic cooperation**. The region is considered, how a commodity market of Indian production and a perspective source of natural resources (gold (India, as is known, the largest world consumer of gold) and fuel and energy resources), and just as a transit corridor for transportation of the Indian goods to the CIS countries and Europe. At the same time, India aspires to expand economic links with states in the region, in order to achieve its political ends. It has to be said that the stimulus for this comes from the Indian side through arranging trade fairs and meetings between Chambers of Commerce. The Government of India wants to attract private businesses to invest in the countries of the region.

India is trying to expand cooperation in areas where it has traditionally been strong - IT, pharmaceuticals and medical equipment, textiles and tea. Its main economic partner in the area is Uzbekistan where about thirty joint ventures in pharmaceuticals, agricultural processing and textile production are Indian.

According to secretariat of State secretary of Kazakhstan, goods turnover between two countries for 2007 made 195.7 million US dollars, for January-September 2008 - 288.5 million US dollars. Goods turnover volumes are far from wished, but there is good dynamics. As is known, Kazakhstan is the largest trading partner of India in the Central Asia. Nevertheless, the main reason for the weak presence of Indian companies in the CA market are certainly transport and communications difficulties,

Caused by the borders of the CA republics in general, which have no sea access and the development of the infrastructure. Steps are being taken to alleviate these difficulties. Under an agreement with Uzbekistan, it is planned to construct the Zaranzh-Deloram-Charbakhar highway, which would shorten road links from CA to India by 1,500 km. India's entry into the CA market is bound to promote the development of the North-South transport corridor whose mission is to link the countries of Southern and South-East Asia to Europe via Iran, the Caspian Sea and Russia that will comprise rail, sea and road links.

Broadly speaking, India is not yet ready to become a leading player in the CA market but is laying the groundwork to allow it to occupy a higher profile position. The political interests of India and CA states coincide on threats to security in the shape of religious extremism and terrorism. India's policy in the CA energy sector is strategic for mid-

and long-term. The problem lies in the lack of resources to access its energy and trade interests, namely the undeveloped communication system.

* * *

Strengthening of influence of China on Central Asian countries became some kind of the catalyst of foreign policy activity of India in the given region. It is no wonder, that on this background actual for India there is an exit on level of strategic cooperation with the countries of the Central Asia. Thus India aspires to create a new format of cooperation - both with China, and with Pakistan supported by it. The period of open enmity and hostility between India and China, apparently, is over.

Applying for a role of an arising superpower of the twenty first century, India, as well as China, in the regional policy concerning the Central Asia passes to more flexible tactics. Presence in Central Asia, without dependence from involvement degree, becomes important and necessary from the point of view of new vision of a role of India by political and expert circles of the country. This vision is based on understanding of necessity of an exit of India for limits of the traditional zone of influence in South East Asia and water area of Indian Ocean and will shift the Central Asia.

As a whole, despite various level of bilateral cooperation of India with the region's countries, the majority of events and the processes occurring in the Central Asia, continue to remain in focus of attention of India. The main distinctive line of a policy of India in region are accent on development of bilateral interstate cooperation and the limited participation in activity of regional and international structures. At the same time, the varying balance of power and interests of the Central Asia demand activation of the Central Asian direction in foreign policy strategy of India on all existing formats and cooperation directions.

Both India and China increase streams of investments into foreign energy sources. Dependence on import of power resources does both states dependent on changes in the energy world markets owing to what, both countries pursue a policy of diversification of supplies of power resources. Basically, both states positively concern power cooperation, an indicator to that is cooperation in two or three international power projects, including investments into Columbia and Syria. However China is more successful, than India in this respect as uses the political and economic help for maintenance of the power ambitions more accurately. So these countries competed for power resources in Kazakhstan, Ecuador, Myanmar and Angola. In all cases China has won, offering not only higher price, but also giving the economic help, infrastructural projects and the military techniques, and also using diplomatic resources.

Turkey and Central Asia: From Fraternity to Partnership

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Throughout history, despite its frequently anti-European official rhetoric, the Ottoman Empire had been zealously devoted to European recognition and acceptance as a European great power. Therefore, Turkish involvement into Central Asian affairs, the area that acquired great importance in rivalry among the Great Powers from the 19th century on, was often associated with its application as a trump card to achieve European recognition. Therefore, during the period of the rise of the Ottoman Empire, when the transcontinental multiethnic state of the Turks emerged as a major threat to the European balance of powers, Central Asian Turks and Muslims, differently from the Holy Lands or Egypt so much exciting for Europeans, were hardly attractive for the Ottoman sultans both economically or politically. Even during the Crimean War, when the Ottomans fought against the Russian Empire alongside the major European powers, the appeal towards the Turks or Muslims of the Russian Empire was not an item of the strategic and political agenda.

It ought to be noted that the Ottoman concern and involvement with Central Asian Turks and Muslims intensified in the second half of the 19th century, when the European and Mediterranean provinces of the Ottoman Empire, not without European instigation and involvement, broke away from once extensive and glorious domain of the sultans. Moreover, the emergence of the pan-Arab nationalist aspirations and separatist movements among the Ottoman population in the Near East caused major fear and disappointment among the Ottoman Turks. Considering that most of the Eurasian Turks were under Tsarist rule, whose Muslim population exceeded that of the Ottoman state by the end of the 19th century, Pan-Islamic and Pan-Turkist policies of the Ottoman sultan and caliph aimed not only at undermining Russian expansion and influence among Eurasian Muslims, which directly or indirectly was encouraged and instigated by its European allies, but also at increasing Turkish prestige in Europe as an important transcontinental power and, eventually, its leverage in European affairs. Interestingly, both of these assumptions – undermining Russian dominance and influence in the area (often with Western incentive) and obtaining an attractive bargaining potential vis-à-vis European states for its further integration into Europe – did not drift apart from the Turkish political agenda at the time of the collapse of the Soviet Union.

Although Turkish–Central Asian relations at the governmental level are full of inconsistencies, they, nevertheless, provide important indicators for both sides' foreign policy preferences. While during their first years of independence, Central Asian states, with Kazakhstan at the foreground, adhered to their 'integrationist' aspirations for the former Soviet space, the Turkish Republic was fully involved in its attempts to become a full member of the European Union. While Central Asian newly independent states were trying to preserve the gentle balance of their relations with Russia, China, the Western and Islamic worlds and to consolidate their independent statehood, Turkey dealt with its 'Kurdish' problem domestically and with the Cyprus and Aegean Sea problems in the international arena, often facing protests and vetoes by Greece, a full member of the NATO and the EU. This impediment to further integration, as well as the rise of the Islamic Welfare Party [Refah Partisi] and the general political instability of the following governments obstructed the implementation of a stable policy towards Central Asia.

Since its formation in 1923 under the leadership of Kemal Atatürk, the Turkish Republic made the principles of 'Westernism' and 'Secularism' the main pillars of its international orientation, also aiming at the integration of its economy and political system into that of Western Europe. Today, as in the time of the collapse of the Soviet Union, the European Union is the major trading partner for Turkey, while the United States are not even among the top three export or import partners. On the eve of the collapse of the Soviet Union, Turkey suffered from the disruption of formally vivid economic relations with the Arab countries, which became an important source of hard currency during the Oil Crisis. Especially after the Gulf War and the imposition of an economic embargo on Iraq, Turkish economic relations with the Arab world considerably declined. In addition, the establishment of close Turkish-Israeli relations in military and intelligence fields seriously 'offended' Arab countries, which were immediately reflected in economic transactions.

Following the collapse of the bipolar global system, Turkey started to lose its former privileged status of a 'fort against the Communist expansion', so that the West began to dwell on the human and minority rights violations in Turkey. Indeed, the strategic importance of Turkey played in Western foreign and domestic policy due to its geographic proximity to the Soviet Union, which endowed Turkey with

substantial military and economic benefits, started withering, creating a feeling of abandonment by the West, following the emergence of pro-Western regimes in Central Europe to function as a new buffer zone between Western Europe and Russia. In the post-Soviet world Armenian lobbies in major Western countries strengthened its activities against Turkey, while the latter's serious attempts to be integrated into the EU faced Greek vetoes. Under these changing circumstances, Turkey launched an increased involvement in the Central Asian Turkic states in order, among other things, to increase Turkey's bargaining potential by providing some political, economic, and military advantages. Despite close ethnic, linguistic and historical kinship, Soviet Central Asia and Turkey had been sharply disrupted by rival ideologies. Practically, they had no direct relations until the last few months of the Soviet statehood.

The formal cooperation between Turkey and Central Asian republics started already in June and October 1990, before the formal break up of the USSR by high level visits and agreements signed and culminated in the visit of the Turkish President Turgut Özal to Azerbaijan, Ukraine and Kazakhstan in March 1991. Already on March 15, 1991, an agreement on cooperation was signed between the Turkish Republic and the then-Kazakh SSR and on December 16, 1991 Turkey was the first state to recognize the independence of the Republic of Kazakhstan. Upon the formal collapse of the Soviet Union, Turkey was the first country not only to recognize the independence of the Central Asian newly independent states, but also to send diplomatic delegations to the region.

Interestingly, all political movements in Turkey tried to gain political credit from the emerging relations with the Central Asian newly independent states. The relations with the Central Asian 'brothers' became a matter of major importance, and almost every Turkish Prime Minister visited Central Asia. Moreover, despite the turbulent political atmosphere in Turkey, there was no actual difference between Islamic and nationalistic, rightist or leftist newspapers in their support for the Central Asian Turkic peoples. Besides, Central Asia became a lucrative market for the Turkish medium-scale manufacturing sector and the construction industry, which had been in stagnation after the stopping of gigantic building fields in the oil-rich Arab countries. Often, it was the Turkish government itself that backed and encouraged the advancement of the Turkish business to the newly emerging markets of the region.

As for the Central Asian leaders, Turkey often became the country of their first official visit outside the former Soviet space as presidents of independent states, as well as the forum to make their international debut, where their voices on vital global events were heard for the first time. Thus, in April 1993, during the visit of the Turkish President Turgut Özal to Kazakhstan, the two presidents did not lose the opportunity to declare that the settlements of peace in Bosnia, Mountainous Karabakh and in the Middle East would be possible only through peace negotiations based on the UN and OECD peacekeeping efforts. Moreover, Turkey, a congenial nation and state, a member of the NATO and the Council of Europe, was close to the West politically and economically, and might provide moral and material support for the devastated economies of the Central Asian states at the time of the collapse of the Soviet Union. One of the key aspects of the attractiveness of Turkey as a partner in the international arena in the eyes of the Central Asian leadership was its prospective membership of the European

Union. Any impediment to Turkish advance towards full EU membership could therefore undermine its reputation and political influence in the region.

In the international arena, Turkey was to become a guaranteed ally, and more importantly, an influential lobby. Besides, Turkey was among the countries that realized the actual power of Central Asian leaders and backed them. Contrary to Western countries, Turkey never criticized the 'unlimited' power of Central Asian leaders and refrained from supporting, at least at official level, the opposition groups to the ruling power, a position which made Turkey a comfortable partner for the political elites. Thus, for instance, after the dissolution of the Kazakh parliament by President Nazarbayev in March 1995, Turkish President Süleyman Demirel found his actions as "a convincing confirmation of the triumph of true democracy and the rule of law."

On the other hand, any serious involvement in Turkish affairs, not to mention so-called Pan-Turkist aspirations, could affect the newly independent states' sensitive relations and vulnerabilities with Russia and China. The advancement of their Turkic and Muslim identity at official level could cause the displeasure of the Russians and other Slavic populations in the region, who were already discontented with the promotion of national identities based on the republics' titular nations. Moreover, despite the huge volume of trade and signing of long-term contracts between Turkey and Russia, the policies of these two countries competed in the region. Russia, which intended to re-gain its former superiority and influence over Central Asia, accuses Turkey of trying to buy out the Muslim population of Central Asia, acting on United States' behalf. Accordingly, Russia launched an implicit anti-Turkish media campaign, which, while not being harsh, has certainly influenced public opinion of the Central Asian states. On the other hand, the Western anxiety about the propagation of radical Islam among the Central Asian states by Iran taking advantage of the power vacuum following the collapse of the Soviet Union made the so-called 'Turkish model', which combines secular democratic values with a liberal economy, much more appealing for them. However, the ardent Turkish involvement in Central Asian affairs, as well as the attractiveness of the secular Turkish model started fading following the electoral victory of the moderate, but still Islamist, Justice and Development Party (Adalet ve Kalkınma Partisi, AKP), which, besides, set up the European integration as the main priority of Turkish foreign policy.

In regard to the regional states, Turkey enjoys its peculiar feature of being a congenial state for the Central Asian Turkic states: Kazakhstan, Uzbekistan, Kyrgyzstan, and Turkmenistan. Tajikistan, being a Persian-speaking state, belongs to the Sunni branch of Islam that makes it different from Shi'a Iran, although initially the linguistic link between Iran and Tajikistan brought in great expectations. As for Turkish policy in Tajikistan, contrary to its euphoric and often unrealistic stance towards their Turkic Central Asian 'brethren', the economic and pragmatic aspects were always at the foreground and therefore the course of the Tajik-Turkish relations remained steady and persistent despite changing political circumstances. As a result, according to the official data, the volume of trade between Turkey and Tajikistan from 1999 to 2006 increased 20.5 times, and 101.96 percent only in the year 2006, leaving far behind all Central Asian states and Russia.

Being the first country to recognize the Central Asian republics' independence, to establish embassies there, and

to host Central Asian presidents, Turkey has launched an active cooperation initiative among the Turkic-speaking countries, including Turkey, the four Turkic Central Asian states, and Azerbaijan. The most prominent realization of this cooperation is the 'Turkic summits', which for the time being were held on a systematic basis.

Although the importance of these summits was hardly noticed abroad, they had a vital role for the participants, especially for the Newly Independent States. First, the summits were among the very few forums where the Central Asian states could meet without Russian supervision. Second, it was a place where the Central Asian states could consider their own problems and disputes, generally under the careful and balanced intermediation of Turkey. Third, it was a platform in which the participants, except Kyrgyzstan, were parties with direct interest in Caspian oil and gas production and transportation. Thus, there they could negotiate and determine their claims and interests before other international actors directly concerned with the case became involved. Finally, in addition to all its cultural and economic issues, the sides were granted a chance to harmonize their foreign policy trends and attempts toward certain vital issues.

In January 1992, the Turkish International Cooperation Agency (TICA) was established under the Ministry of Foreign Affairs. Its primary task was developing a legal and managerial framework for liberalization and democratization that would help the Newly Independent States to adjust to the outside world politically, socially and economically. In 1995, a special Minister of State for the relations with the Turkic states was established within the Turkish government and obtained a permanent status in the Turkish Cabinet.

Thus, driven by Turkey's growing involvement in the region, its euphoria and self-confidence, the then Prime Minister Süleyman Demirel uttered the possibility of setting up a 'Union of Turkic States' during his visit to Central Asia in April 1992, making, among other things, further ambitious claims about military assistance to regional states, adoption of Latin script for Turkish as the common alphabet for all Turkic languages and building of pipelines through Turkey. Not surprisingly, the Turkish endeavors to create a gigantic Turkic World stretching from the Adriatic to the Great Wall, were somehow connected, from the Russian point of view, to the rise of "ethnic separatist terrorism in Chechnya", as the Federal Security Service of the Russian Federation (FSB) official website asserted.

The first summit meeting of the 'Turkic summits' series was held in Ankara on October 30-31, 1992 and was concluded by the signing of the Ankara Declaration on October 31. A number of agreements were signed, such as setting up telecommunication links, elimination of the travel restrictions, and calls for "a social order, set up on a basis of democratic principles, respect of the human rights, secularism, social justice, and market economy." However, the Kazakh President expressed, nevertheless, his caution about the establishment of an ethnic and linguistic community, arguing that it "does not bring people together but divides them" (Shaumian, 1998, p. 70). As it is often argued, the Central Asian states which suffered from 'the younger brother' complex for a long time, simply did not want Turkish overlordship. Therefore, the 'Big Brother' attitude and the assumed 'enlightening' or even 'civilizing' mission would expectedly lead to resentment on the side of Central Asians, especially since the Turkish policy of comprehension and homogenization of the whole Turkic World would definitely contradict with the intension of the Central Asian states' to

emphasize on their unique identities, which would hardly be proved under another broader umbrella. Therefore, Turkish efforts for regional supremacy could not get along with the aspirations of the Central Asian leadership at the time of the 'parade of sovereignties', so that economy, rather than politics or social affairs, became the sole field of success for ardent Turkish endeavors.

After the Istanbul summit, the meetings of the Turkic Summits held in Bishkek (1995), Tashkent (1996), and Astana (1998) started to lose their primal importance, while bilateral relations became more important. Especially after the cooling of Uzbek-Turkish relations, the homogeneity of Turkish relations with the Central Asian republics was damaged. The President of Turkmenistan, Saparmurad Niyazov, did not participate in the Fifth Turkic Summit in Astana which was instead attended by the Chairman of the Turkmen Parliament Sahad Muradov, while both Presidents Karimov of Uzbekistan and Niyazov did not participate in the summits held in Baku in April 2000. As is often stated, the rhetorical inclination of the Central Asian states towards prospective Turkic union, or at least a somewhat positive response to Turkish calls, were associated only to the early 1990s, the desperate period following the collapse of the Soviet Union, when even modest Turkish subsidies to the Central Asian leadership were essential, if not vital. The late Turkish efforts to revive the 'Turkic Summits' and gather the heads of the Turkic-speaking countries, following almost five years of activity decay, were put into practice at the 8th Turkic Summit in Antalya, in November 2006. However, the promising endeavors to strengthen Turkish Central Asian involvement, regarded by some as an attempt to make up the neglectful Central Asian policy by the AKP government, were saddened by the absence of Uzbek and Turkmen presidents. The Turkmen government was represented at the Summit by their ambassador in Ankara, while the Uzbek government, angered by the Turkish support for the UN Report on Uzbekistan condemning grave human rights violations following the Andijan events. Nevertheless, in accordance with the late Turkish policy, economic relations were at the foreground of the Summit's agenda, with special emphasis on coordinated energy policy and diversification of the transport routes for Central Asian energy resources. Interestingly, the official request by the Russian government to be granted observer status to the Turkic Summit in Antalya, justified by the fact that Russia holds in the Organization of the Islamic Conference, was denied by Ankara on the ground that these summits only gathered Turkic-speaking states.

Noteworthy, just a month prior to the Turkic Summit, the Turkish resort of Antalya hosted the 10th Friendship, Brotherhood, and Cooperation Congress of the Turkic States and Communities. The scope of the Congress far exceeds Turkish-speaking independent states of Central Asia and the Caucasus, involving in representative of Tajikistan, Mongolia, Northern Cyprus, as well as numerous representatives from certain autonomous units and ethnic communities like Crimea, Daghestan, Tatarstan, Sakha, Afghanistan, Kosovo and Australia. Moreover, the 11th Congress was held in Baku, Azerbaijan, for the first time outside Turkey. Besides certain cultural and scientific efforts, like the establishments of common Turkic alphabet and common Academy of Science of the Turkic World, as the Congress declaration states, the energy resources were never off the agenda. Strikingly, the formation of an OPEC-like institution among the oil and gas rich Turkic states was even proposed at the Congress.

One of the most important reasons that had spurred Turkish involvement in the region were the energy resources of the Caspian Sea that could strengthen the Turkish position in Europe and the whole world both in economic and political terms. Interestingly, as was uttered by the Turkish President Süleyman Demirel at the summit of the Turkic States in Bishkek in August 1995, the Turkish endeavors to arrange the passage of Kazakh, Turkmen and Azerbaijani oil and gas through Turkey were not guided by economic benefits, but by its interest to lessen their economic and political dependence on Russia.

Turkey, with its growing population and economy and lack of hydrocarbon energy resources, is itself severely dependent on external energy sources. In fact, the Caspian Sea resources seemed optimal for Turkey's economic, foreign and security policy because supplies from Iran, Russia or the Arab countries affect its relations with Europe and the USA. Also, construction of a pipeline through Turkey to Europe would become the sole stable route for oil and gas transportation for the land-locked Central Asian countries, making Turkey the major energy outlet to Europe as well as reaping with economic gains through transportation and service fees.

In the second half of the 1990s, Turkish–Central Asian relations were stabilized. The expectations and initial euphoria of both sides were not attained. Turkey could not obtain the dominant position among the regional states to replace Russian influence. Central Asian states finally realized that having Turkey as a close ally was not enough to get substantial external support, either financial or political, and that Russia was still an important chain for their development, at least for the time being. The weakening of Turkey's position in Central Asia as well as its efforts towards the region were mainly due to its constant political and economic turmoil, which culminated in grave economic crises in the late 1990s and in 2001, while the visible self-confidence in foreign affairs following the years of political and economic stability after 2002, made the EU axis and relations with neighboring countries the top priority of the Turkish foreign policy. Therefore, contrary to the dualist stance of Turkish initial policy towards the region, when advancement of its own interests in the region often appealing to the Pan-Turkist call went hand in hand with the proliferation of pro-Western policies, the recent Turkish attitude focuses more on pragmatic policies aiming at its own economic benefits, the Caspian energy resources being one of its main pillars.

Turkish prospective involvement in the region might be even more efficient than in the past, since Turkey has recently built positive balanced relations based mainly on economic cooperation with all major regional powers, including Russia, China, Iran, India, Pakistan, as well as with major global actors like the EU and the United States, and this would, certainly, strengthen its position as an important trade partner and an alternative route for regional energy resources with regard to Central Asia. Moreover, contrary to the 1990s, when Turkey was often regarded as the strategic competitor to Russian interests in the region, Turkey is now perceived by Russia in considerably neutral terms.

Although often neglected, Turkey played an important role in the reinforcement of the Central Asian states' independence and the development of their economies with its financial, technical and educational support. Interestingly, private entrepreneurs and their personal efforts facilitated Turkish involvement in regional economies, notwithstanding opposite developments at the governmental level.

Also, many Turkish specialists and companies are engaged in fulfillment of many projects initiated and financed by Western companies, especially in the field of construction, such as Alarko Holding, Okan Holding, Enka, Ceylan and many others. The actual range of Turkish involvement is therefore bigger than it seems. Moreover, some Turkish businessmen became notorious for their personal relations with the economic and political elite in Central Asia, as was the case of Ahmet Çalk's alleged liaison with the late Turkmen President Niyazov, earning the former the nickname of a 'power broker'.

Besides the Turkish contribution to the republic's economic and political development, Turkey created a new 'society' that is akin to Turkish culture and language through a number of student exchange programs and the establishment of educational institutions at the secondary and higher educational levels. Through the student exchange program initiated by the Turkish Government in 1992 that eventually became known as the Great Student Exchange Project, which only for the first decade of its realization provided more than 20,000 scholarships for the students from the Turkic world to study in Turkish universities and high schools. Besides, 127 Turkish private schools with more than 21,000 students and 2,000 teaching staff, as well as 13 universities with about 3,000 students and 400 academic staff were functioning in the CIS countries, with Kazakhstan leading with 31 high schools in 1997. Moreover, despite the officially secular stance of Turkish foreign policy, the Turkish government encouraged and subsidized religious education for Central Asian Muslims, and currently holds a position of an advisor on religious matters in Turkish embassies in Central Asia, mainly dealing with religious education.

Nevertheless, especially during the first half of the 1990s, the Turkic aspect, rather than Islamic, was perceived as the emphasis of the Turkish policy towards the region. Ironically the Turkish endeavor to modernize Central Asia by creating an educated elite through the Great Student Exchange Program would later turn into the matter of great tension between Uzbekistan and Turkey, when following the victory of the Islamic Welfare Party in the 1996 parliamentary elections, the Turkish side was accused of supporting Uzbek dissidents and training Islamic extremists among Uzbek students, which would ultimately lead to the withdrawal of Uzbek students studying in Turkey. However, despite the accusations of instigating Islamic extremism among Uzbek students studying in Turkey – since it was never brought in by other Central Asian states – the resentment of the Uzbek government was mainly caused by granting political asylum by the Turkish government to Muhammed Solikh, the prominent Uzbek opposition leader.

As for Turkey, Turkish–Central Asian relations also provided certain advantages to the Turkish political and geo-strategic position along with the economic gains. First, the Turkish republic seems to have obtained a new bloc of allies among regional countries that could facilitate Turkey's key role in the region. To a certain extent, the Newly Independent States enlarged Turkish vision and bargaining power, especially in its relations with Europe. Second, Turkey enjoyed, for a time being, support and understanding from these countries for its delicate Kurdish and Cyprus problems and naturally gained an additional number of advocates at broader international forums. However, just like the pragmatic considerations to overcome international isolation and advancing its interests in the so-called 'pipeline war'

made Kazakhstan and Turkmenistan the preferential partners in the region for the Islamic Republic of Iran instead of Tajikistan that had been the main focus of regional policy, Turkey, while implementing its policies towards Central Asia, had to take into account the attitude of Russia. Indeed, as a result of Turkey's intensified pro-European orientation, its discord with the US policy towards Iraq, rapprochement between Ankara and Moscow and the enhancement of their economic ties that currently made Russia its chief exporting partner, made Turkey no further be perceived as proxy for the United States or even associated with Western policy in the region, which, as is often claimed, helped Turkey preserve its position in Uzbekistan despite exacerbation of Uzbek-Western relations following the Andijan events, while the power shift in Kyrgyzstan even strengthened its positions in the country.

For Central Asian states, Turkey became a gate to the outside world, both economically and politically, and Turkish support really contributed to their independent

state-building. Turkey, a state with a Eurasian version of Western democracy and market economy, was regarded as an optimal vector of development for these newly independent Muslim Turkic states. Moreover, the secularism of the Turkish state system made it a preferable option than other Muslim states. As was once stated by Alejandro Lorca, Turkey would play the same role as Spain played for Latin American countries in relations with the EU, which is described by the so-called 'bridge theory'. According to this theory certain linkages with Spain, such as historical and linguistic bonds, facilitate economic relations of Latin American states with the EU and make Spain become a 'natural lobby' in Europe in favor of Latin American states. As was once stated by Süleyman Demirel, the then Turkish Prime Minister, "in Central Asia we are the emissaries of Europe. We are Europeans who are taking European values to Central Asia. We want to remain European. (Hyman, 1994, p. 258)." For Central Asian states this was a great chance to have a 'European brother'.

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Impact of the Global Financial Crisis on the Development of Kazakhstan and the Countries of Central Asia: Seeking Joint Ways of Solving Problems

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The extent of the impact of global financial crisis on the socio-economic development of Kazakhstan and the countries of Central Asia is determined by the pace and nature of the countries' integration into the world economy, the specifics of the sectoral development of the national economies, and level of market transformations.

Amid the crisis, the Central Asian countries are generally facing the same common challenges:

- Market reforms in the countries of Central Asia are characterized by low efficiency; the state investment programs have been reduced in 2008 (the total decrease in capital investment in the economy was 60%, resulting in approximately 15% of absolute drop in output);
- Reduced foreign trade is aggravating stagnation of the industrial sector of the economy; a decline in GDP growth;
- The achieved high level of labor migration against the reduced labor demand in donor countries is forcing migrants to return to their countries, which adversely affects the level of social stability;
- The countries face huge budget deficits, and lack the financial strength ('financial cushion') to mitigate the negative impact of the investment crisis; and
- The pricing policy is not harmonized with purchasing power and market saturation level, which leads to an escalation of inflation.

Kazakhstan, with its highly developed market institutions, powerful industrial sector, developed banking system and considerable investment resources, has been

the first to be confronted by the financial crisis and has suffered most from its effects. Over 17 years of development, Kazakhstan has managed to integrate into the global trade and economic system. Now such integration is proving to have negative sides as well. In particular, the global production slump has caused a drop in the prices for oil, metals and other traditional export articles of Kazakhstan.

The country's banking system, being more developed and integrated into the global financial market, was proactively applying the modern forms of mortgage lending and financial investments, while developing the stock market. It was the first to suffer from the financial turmoil in the world market. As a result, Kazakhstan is now facing serious problems due to major mortgage borrower insolvency and declining bank revenues.

Amid the financial crisis, the pace of economic growth has slackened. The real sector development has slowed down due to a decrease in external borrowing and fluctuations in the primary markets. As the investment programs of many sectors and enterprises were heavily relying on the borrowed funds, the capital investment has been sliding down throughout 2008.

The consumer market saw an upturn in inflation during 2008 and an increase in prices for foodstuff and services. Consequently, the disposable income of population was declining. Moreover, the second-tier banks have restricted and stiffened the retail lending requirements. This has led to a drop in consumer demand, and the persistence of this trend may bring additional pressure on the growth of business activity. With a view to preserving the level of

prosperity, the country is taking steps to curb rising prices for basic commodities, it has signed memoranda with suppliers and distributors and established regional stabilization funds for regulating prices for basic foodstuffs.

The negative trends also persist in the small and medium business sector because of the drop in the number of operating enterprises, and production ramp-down. Positive changes are expected with the implementation of the Plan objectives to facilitate lending for small and medium businesses, the introduction of a new Tax Code and the extension of the moratorium on tax inspections.

While the labor market is witnessing falling unemployment, the share of self-employed people tends to grow. In case of further decline in industrial production and consumer demand, this category of people could join the ranks of the unemployed. Besides this, there is still a deficit of highly skilled personnel in the real sector of economy, which affects the competitiveness of Kazakh enterprises. The Government's major objective for 2009 is to prevent unemployment from growing and increase employment in line with the Plan objectives. The relevant memoranda have been signed with major employers.

KAZAKHSTAN'S PRACTICAL STEPS TO OVERCOME THE IMPACT OF THE GLOBAL ECONOMIC CRISIS

Today each country in the world is mobilizing its internal reserves to get over the crisis, since the joint actions within the EU, G-20, and other international organizations and associations have failed to deliver any tangible results. Kazakhstan has been confronted by the crisis for two years. In October 2007, an action plan was created to ensure the stability of the country's economic development. A total of \$4.6 billion has been allocated to that end, particularly, to finance completion of the so-called 'participatory' construction projects, preserve food security, development of agricultural sector, and support small and medium-sized enterprises.

In November 2008, another \$10 billion was allocated for implementation of the stabilization action plan in the following areas:

- 1) Ensuring sustainability of the financial sector (\$4 billion);
- 2) Stabilization of real estate market (\$3 billion);
- 3) Supporting small and medium enterprises (\$1 billion);
- 4) Boosting the development of agricultural sector (\$1 billion); and
- 5) Realization of a breakthrough infrastructure and industrial projects (\$1 billion).

On March 6, 2009, President of Kazakhstan Nursultan Nazarbayev, in his Address 'Through Crisis to Renovation and Development' formulated the revised plan to surmount the consequences of the global crisis and create the necessary socio-economic prerequisites for post-crisis development. The plan is focused on the triune objective focused on prosperity, security, and citizens' welfare [1].

Apart from these resources, the additional \$4 billion will be provided from the National Fund for implementation of the anti-crisis action in 2009-2010. Kazakhstan's

gold and foreign exchange reserves (47 billion US dollars) will remain intact.

The austerity policy with regards to all budget lines will provide another source of funding for the anti-crisis program. According to the head of the state, all non-priority expenditures should be reduced to zero and the released funds must be used to create jobs, including the public works.

While implementing the employment strategy, the particular focus will be made on the reconstruction and upgrading of utilities and secondary roads, as well as building and repairing schools and hospitals. On the whole, 1 billion US dollars will be allocated to ensure regional employment and retraining programs.

One should consider one more important factor, namely, that foreign investors are extremely reluctant to set up processing plants in the territory of Kazakhstan which has justified such measures as introduction of fixed high tax rates for raw materials, elimination of any kinds of benefits, remissions and preferences, and increasing the local content in the strategic sectors. As is known, a more complete and deep processing of exported raw materials can increase revenues three to five times.

It is vital to focus on meeting the needs of the domestic market by means of local production and give up most of the import. The challenge is to make Kazakhstan a huge regional supplier of petrochemicals. It is assumed that the country will focus on producing bitumen, chemical fiber, liquefied natural gas – propane and butane. At the same time, three refineries will be upgraded and a petrochemical complex will be constructed in Atyrau.

In the context of global crisis the infrastructure sectors remain the most attractive. With inevitable changes in the geo-economic structure, a strong infrastructure will make a significant competitive advantage. In this respect, Kazakhstan will need to develop infrastructure platforms: transport and logistical, industrial, energy and production systems and combinations thereof across the country. The key project will be the reconstruction of the road corridor Western Europe – Western China along the route: Khorgos – Almaty – Aktobe – Orenburg – Kazan – Saint-Petersburg. The project will employ 50,000 people from 2010 to 2012.

Currently, we are witnessing a global food crisis. The upsurge in food prices in 2008 has entailed a rise in the global number of people affected by famine from 854 million people to 967 million people. In these circumstances, Kazakhstan puts an emphasis on the development of agricultural sector, as this would allow us to address two problems at once – food security and diversification of exports. In so doing, we assume that Kazakhstan possesses virtually unlimited resources for food production.

Contributing to stabilization of the socio-economic situation in Kazakhstan was the statement by President Nazarbayev that all the state commitments to increasing social benefits and salaries for state-paid workers will be retained in full. In particular, since January 2009, the public sector wages and the average pensions in Kazakhstan were raised by 25%. In 2010, these will increase by another 25% and by 30% in 2011.

Thus, we hope that our country will recover from the global crisis with the minimum losses through the compre-

hensive system of anti-crisis measures being implemented in Kazakhstan as from fall 2007.

The controllability of *Uzbekistan's* national economy, which is based on the real sector, and, consequently, a weak interaction with speculative capital have, in principle, spared Uzbekistan most of the negative effects of the global financial crisis. However, the crisis broke in the consumer market, where it kindled inflation, slowed down the GDP growth and decreased solvent demand.

In 2008, for the first time ever, Uzbekistan officially revealed the number of its migrant workers – 5.5 million people, though the figure may reach 6-6.5 million considering illegal migration. According to independent Uzbek experts, about half a million to 1.5 million migrants leave Uzbekistan every year.

The withdrawal of the EU economic sanctions in 2008, which were imposed on Uzbekistan in 2005, may become a strong positive factor for development of the Uzbek economy. According to the analysts, this is attributable to Brussels' efforts to diversify gas supplies to Europe and bypass Russia.

Kyrgyzstan and *Tajikistan* are considered to be the poorest countries in the region: according to the recent figures, about 50% of the population live below poverty line in each of the countries. The systemic crisis characterized by a deep recession in all sectors of the economy has had a large negative impact on the countries. *Kyrgyzstan* and *Tajikistan* demonstrate the highest inflation rates: 24.5% and 20.4% respectively, and the lowest GDP growth rate. The growth recession in the real sector is exacerbated by high inflation. Rising prices for essential commodities lead to depletion of low-cost goods, which primarily affects the socially vulnerable groups.

The situation in *Kyrgyzstan* and *Tajikistan* is severely aggravated by the deep energy crisis. It started first in *Tajikistan*, followed by *Kyrgyzstan* one year later, and its consequences for the two economies are insurmountable by the countries' own resources. In both cases there is a need for external assistance, although the nature of these crises varies. The energy problems in *Tajikistan* are rooted in the aftermath of civil war. Other reasons include misallocation of energy resources and low efficiency of the applied technologies. In *Kyrgyzstan*, the reasons of the crisis are mainly of an economic nature. The completely inefficient water management policy is one of the causes of the current recession, taking into account the reduction of natural water flow.

The Toktogul reservoir in *Kyrgyzstan*, if used efficiently, could provide water resources for both power production and agricultural purposes. But the absence of a well-balanced approach to the management of the country's strategic resource has led to the electric power producers getting more oriented towards external markets, instead of handling the high losses from internal energy consumption. The biggest problem is that the Government is attempting to enhance the electric power sector efficiency through privatization, i.e. by changing ownership, instead of reconstruction of the energy industry and fundraising activities. Given the lack of water resources it is quite a controversial decision. However, even the rolling blackouts are unlikely to resolve the acute energy crisis, or increase the water inflow to the Toktogul reservoir.

It should be noted that the growth of investments in *Tajikistan* and *Uzbekistan* throughout 2008, was largely due to the increased Russian capital. *Kyrgyzstan* can also benefit from the proposed Russian support (about \$2 billion US dollars) for investing into energy projects, subject to the clear position on the projects and funding.

At present, *Kyrgyzstan*, *Tajikistan* and *Uzbekistan* are facing a serious challenge of labor force outflow. Meanwhile, the migrants' remittances constitute a significant proportion of their GDP: according to some experts, the volume of remittances accounts for some 40% of the GDP in *Kyrgyzstan*, and 50% in *Tajikistan*. There is no reliable statistics for *Uzbekistan*, but the official data estimates the migrants' money transfers at only 8% of the national GDP.

On the one hand, the outflow of employable citizens defuses tension in the labor market; on the other hand, a number of problems are coming up such as the shortage of highly knowledgeable specialists, lack of workforce in rural areas, growth in gender disparities, change in the sex-age structure of the population, and economic consequences.

The denomination of the national currency on January 1, 2009 can be mentioned among the major economic developments in *Turkmenistan*.

The economic reform has triggered a normal reaction of the population of *Turkmenistan*: in a drive to protect their savings the citizens have exchanged them for United States dollars which ended up increasing the prices for goods and services in dollar equivalent.

According to the Central Bank of *Turkmenistan*, the currency denomination was necessary for increasing the effectiveness of monetary circulation in the economy, simplifying pricing and fostering integration into the market economy, as well as enhancing financial reimbursement and saving of public funds.

In general, the effects of the global crisis in the countries of Central Asia can be overcome through the significant infusions of capital in the most affected sectors, taking into account the specifics of each country, since their economies are based mainly on one, two, or maximum three backbone industries. The decreased foreign investment in these industries represents the most serious challenge. The continuing political risks do not add optimism to the investment attractiveness of the region.

Reduced foreign investment in the modernization of hydraulic works may lead to a new energy crisis throughout the region and aggravate tension between the neighboring states.

Therefore, first of all it is necessary to strengthen integrative cooperation by bringing the countries of Central Asia together for solving the common problems. As is known, Kazakhstan has been initiating regional integration projects during a number of years. Unfortunately the resultant regional structures (Central Asia Union, 1994; Central Asian Economic Forum, 2001; Organization for Central Asian Cooperation, 2002) have not brought about any positive outcomes.

Meanwhile, the Central Asian nations face the problems that need to be addressed jointly. Above all, these include neutralization of international terrorism, religious extremism, drug trafficking, transnational organized

crime, illegal migration, and arms smuggling. Deterioration of the situation in Afghanistan is of particular concern for the whole region.

The following issues are equally important and require joint efforts by all countries of the region:

a) Unification of the water and energy resources: over the decades a single energy system was applied in the region with hydropower sector being dominant for Kyrgyzstan and Tajikistan, and gas supply for Turkmenistan and Uzbekistan;

b) Providing food security and, first of all, seeking mutual deliveries of agriculture products, primarily of crops, fruit and vegetables;

c) Environmental cooperation: as a result of extensive use, the reproduction potential of the natural resources has been considerably damaged;

d) Transboundary river resources management. The resolution of this problem is critical to the social and economic as well as environmental situation in Central Asian countries;

e) Fair and final settlement of controversial territory and border related issues.

To our view, the initiative of Kazakhstan *for creation of the Union of Central Asian States* looks promising in this respect. President Nazarbayev explains the need for such a step in the following way: "Now we have to make a choice: to remain an eternal raw resources appendix to the world economy and wait for the next empire to come, or venture upon the serious integration of the Central Asia region. I propose the latter. Our further integration is a way to stability and progress of the region, to the economic, military and political independence. Only in this way will the region gain the respect of the world. This is the only way for us to ensure security and efficiently counteract the terrorism and extremism. Finally, this alliance would meet the interests of simple people living in our region." [2]

The idea of multi-speed integration into the union is the most practical direction towards implementing the Central Asia Union project as it will provide for the different degree of readiness of the Central Asian nations to accept the Kazakh initiative. The most optimal variant is conclusion of bilateral agreements between Kazakhstan and the countries of Central Asia with their further unification into a single multilateral treaty.

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Economic Evolution of Post-Soviet Kazakhstan

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To understand modern Kazakhstan and to answer the question as to how this unusual and fascinating country came to be, we should look at its geography and its history. Kazakhstan is the world's ninth largest country and the second largest state of the CIS after Russia. It is also one of the richest in terms of its natural resources and it is seen as the most stable of all the post-Soviet states. The territory that was traditionally seen as "Kazakh lands" and where the Kazakhs performed their seasonal nomadic cycle was somewhat larger than Kazakhstan of today. It stretched from the banks of the Volga and the Caspian Sea in the west to the Tarym and Ili rivers in the east, from Siberia in the north to the Syr-Daria River in the south. This region covers an area of about 3 million square kilometres.

In the 1960s to 1980s Kazakhstan strengthened its position as a key republic and a major centre for raw material production for power generation, a major grain and meat producer, a home for the Soviet Union's considerable nuclear arsenal and where its space programme was implemented. In this time, the ruling Kazakh elite started to exert active control over the economic and political life of the republic and support a cultural renaissance.

The summit held in Kazakhstan's capital Alma-Ata on December 20–21, 1991 officially heralded the end of the Soviet Union and the formation of the Commonwealth of Independent States (CIS). A little before this Kazakhstan had proclaimed its independence, which took place on December 16, 1991. The socioeconomic and political system that formed thereafter in Kazakhstan cannot be considered outside the full context of international relations that existed at the moment the Soviet system fell. The forming of modern-day Kazakhstan, with its financial, economic and political system, with all its pros and cons, its foreign economic strategy, investment, regional, social and tax policies etc – all this was to a great extent determined by two powerful factors: the external environment and the political will of the country's leadership.

After the fall of the USSR Kazakhstan found it had at its disposal an enormous territory with extensive and unprotected borders, with a low population and a poorly developed transport and communications system. The economy of Soviet Kazakhstan was totally designed for existence under the Soviet system of division of labour.

Whole regions were tied more to the external market than to that of the republic. There was almost nothing connecting these regions apart from an administrative attachment to the same country. The regions of Kazakhstan had become seriously separated in terms of economic structure, nature of production, and demographic and national composition.

To say that Kazakhstan after the fall of the Soviet Union was in a difficult position is to say almost nothing at all. The situation for the republic was extraordinarily difficult in every sense, with its geography, geopolitical climate, demographics, history, economics and politics all presenting unique traps and dilemmas.

Independent Kazakhstan had at its disposal an enormous territory, with borders of a colossal length and with little protection (with the exception of the Chinese direction), with a low population and a poorly developed transport and communications system. Kazakhstan's economy was totally designed for existence under the Soviet system and entire regions of the country were tied into the external market and not to that of the republic. There was almost nothing connecting these regions apart from an administrative attachment to the same country. The regions of Kazakhstan have become seriously separated in terms of economic structure, nature of production, and demographic and national composition.

It is difficult to speak of a country the size of Western Europe by applying geographic standards that are understood by Europeans. Kazakhstan is a country that is five times the size of France or nine times the size of Germany, at least, as the propaganda of the Soviet age liked to reiterate. Countries that are comparable with Kazakhstan in terms of territory, climate and geography are Canada and Australia.

Indeed, Kazakhstan is somehow comparable with an entire continent, or a giant island, cast into the depths of Eurasia. Its main and central part is comprised of plains and steppes, while its natural borders are the Siberian forests in the north, the Caspian Sea in the West, deserts and the Aral Sea in the south and mountains in the east. You can find any landscapes in Kazakhstan, from the lush oasis to the Martian desert, from alpine meadows to enormous canyons. Naturally, it is no easy matter travelling over such a vast country. Nevertheless, the entire country is served by an extensive transport and communications network.

For the most part Kazakhstan is a country on dry land, but here and there water transport is used, specifically on the Caspian Sea, the Aral Sea and Lake Balkhash. There is also a well-developed network of riverways in the southeast, northeast and northern parts of Kazakhstan. In its time, in its rush for inexpensive electricity, the Soviet Union built huge hydroelectric plants, creating artificial lakes, which then became a favorite leisure and bathing destination for Kazakhstanis. Water transport is not the favorite for the residents of Kazakhstan, and for obvious reasons, but as more and more prosperous people appear in Kazakhstan, yachting is now gaining in popularity. Latter-day yachtsmen are actively mastering their own lakes, Kapchagai (an artificial sea near the former capital Alma-Ata) and Borovoe (an incredibly beautiful, but glacial wonder of nature, not far from the new capital Astana) and the water expanses of their neighbors, particularly Lake Issyk-Kul in neighboring Kyrgyzia.

From an economic point of view, rail travel is the most important form of transport in Kazakhstan. In its time, the Russian Empire began laying strategic rail routes, linking Central Asia with the mother country through Kazakhstan. This enabled certain politicians on the Thames to cry out about Russia soon to make inroads into India. This is where the myth arose about the Russian threat and the Great Game. The Soviet regime continued to build rail links, joining Siberia with Kazakhstan and other states in Central Asia. The full value of the great Asian railway network was revealed during the Second World War, when all military factories and other industrial infrastructure had to be evacuated from the European part of the country, while a huge volume of military equipment and combat forces had to be moved west from the Asian part. The railway today is the most economical and, thus, most popular form of transport for the population.

Furthermore, the bulk of goods and freight for export and import within the country is still carried by rail. The rail network is an important part of various projects in a series involved in resurrecting the Great Silk Road between Asia and Europe. As a rule, all these projects and their variations cross the territory of Kazakhstan. Some experts are sure that there are potential advantages in transporting goods from East Asia to Western Europe over land compared with by sea. There could be gains both in time and in cost. Therefore, the Kazakhstani railways could become an important part of the global economy. There is just one thing to consider when shipping freight from Shanghai to Rotterdam through the middle of Asia and that is the minor detail of the difference in the track gauge: unlike other countries, where the European continental standard has been adopted, the former USSR used a slightly wider gauge. Back then this difference didn't stop the Germans in their eastern advances and they learned to overcome the problem with ease. Today, however, when we are talking about the fate of a global project, everything is put in doubt because of the capricious nature of some unknown official who, in the middle of the 19th century, introduced a track gauge that differed from the European standard.

Road transport is a new element for major transport projects of geo-economic significance. In recent years it has become of strategic importance for Kazakhstan. While the roads in this country leave much to be desired, the government (sometimes with the help of international grants) is maintaining an active policy in the reconstruction of old and the building of new, state-of-the-art highways. Perhaps it will be the road routes and not the railways, the construction of which would require enormous investment, that will take on the role of the new Silk Road.

We should add that as the citizens of Kazakhstan experience economic growth and improved prosperity, the car has become a widespread phenomenon. The automobile pool is currently growing at a rapid pace and Kazakhstan is encountering problems the likes of which it has not seen before: heavy traffic and jams on the streets, environment pollution, insufficient parking spaces, etc. These problems first appeared in the country's major cities, but they are gradually encompassing other cities too.

Another strategically important mode of transport is aviation. This makes sense considering the size of Kazakhstan and it is also of primary importance for links with the outside world. All important capital cities lie far in the West: Moscow by air takes four hours, Frankfurt, Amsterdam and London take seven, Istanbul and Beijing take five. However, it was suddenly revealed that the nearest capitals of major powers to Almaty (the republic's principal air gateway) are New Delhi (three and a half hours), Islamabad (two hours) and Kabul (an hour and a half), although no one flies there.

After the fall of the Soviet Union, Kazakhstan was left with the enormous Baikonur Cosmodrome, the area of which exceeds the territory of the Benelux countries put together. This truly giant complex, the offspring of the Soviet rocket and space programme, ensured Soviet supremacy in this field for a considerable time. It was from here that the first human in space lifted off. For many long decades, any information linked with this project was held in the strictest secrecy. Today, though, all who wish may visit the Cosmodrome and admire the unforgettable spectacle of the launch of the latest rocket into Earth's orbit.

This article is not only and not as much about Kazakhstan's economy as may at first appear. For several years now, starting from the turn of the new century, Kazakhstan is attracting international attention with its economic successes, both alleged and actual. Local reformers attribute these successes to themselves, Western experts and advisors from the IMF, the World Bank and the German IFO Institute believe that they promoted the generation of the correct strategy on the part of the Kazakh Government. Neoliberals gloat over the miraculous force of market reforms on the Kazakhstan example, while left-wing economists praise Kazakhstan's leaders for the intervention of the state. Kazakhstan's neighbors are indignant and green with envy, while Russian economists hold Kazakhstan and its financial system up as an example to their government.

All of them are right in their own way. Kazakhstan has indeed conducted market reforms, at times painful, and it has considerably liberalised its economy. Then, however, there was a partial return to a policy of state intervention in economic or, more specifically, socioeconomic processes. Altogether this had a complicated but on the whole positive effect. Real successes combined with an intelligent image campaign and economic failures in other post-Soviet states (plus the excellent state of affairs with raw materials and oil) have promoted the advent of the legend of the *Kazakh economic miracle*.

There is a long history behind this subject. Back in 1915, German economist Reinhardt Junge wrote a book on the Westernization of Russian Turkestan. In future his recipes were used literally by the Bolsheviks, conducting the modernization of the region in their cruel way. Back at the start of the 20th century Europe's attention was directed to Kazakhstan's rich resources and potential, although at first the immense desert-like Kazakh steppes could not instil such optimism. However in just fifty years, in the 1960s, Western Sovietologists admired the speed of the economic transformation of Kazakhstan. The French economists Louis Blanchard and Henri Chambre from the National Institute of Statistics and Economics declared Kazakhstan to be one of the most important cornerstones of the growth of the Soviet Union and its raw material and industrial base, with an opportunity to transform into a developed industrial region. This opinion was shared by Violet Connolly from Oxford with her book *Beyond the Urals*, in which she wrote about the turning of the Asiatic part of the USSR into a new region of economic growth on the planet. Naturally, Kazakhstan's rocketing forward in an economic sense could not but attract the attention of this major specialist, whose opinion was valued, among others, by the Foreign Office.

Naturally, all of these successes were served under a dressing of a growing threat of the "aggressive Soviet power", which was what kept the Sovietologists their most busy. Ten years later and they were to begin writing about the rise of nationalism and the resurrection of Islam, foretelling the inevitable fall of the Soviet Union (yet no one apart from the far-sighted Helene Carrère d'Encausse could imagine that this could occur so quickly). It is worthy of note that in any event attention was directed to the unprecedented economic development of Kazakhstan.

As already mentioned, Kazakhstan performed several roles at once, all created for it by the Soviet regime. The republic was the agricultural, primarily grain and meat, storehouse for the Soviet Union, a raw material base for an enormous industrial complex, encompassing the Urals and Siberia. With its raw materials, Kazakhstan supported the empire's uranium industry and played an important role in configuring the chemical industry. In so doing Kazakhstan became one of the most important parts of the Soviet strategic military programmes: nuclear, missile, chemical and biological. From the point of view of

propaganda, Kazakhstan fulfilled the role of an "incubator for internationalism" and a model for conducting a "wise" national policy of the Communist party. Finally, now in the time of Gorbachev's rule, Kazakhstan came to be spoken of as the Soviet Kuwait of the future, with knowledge spreading of the huge hydrocarbon reserves in the western part of the republic and on the petroleum shelf of the Caspian Sea.

The tempestuous events of the early 1990s, with the instant and universal collapse of the Soviet economy, could not but have an effect on Kazakhstan. However, the impact was mitigated by Kazakhstan's raw material resources, metals in particular, which helped it withstand the impact and get through the seemingly catastrophic fall of the previous system. Banking on the fact that the raw materials sectors would help to accumulate the strength to get through the difficult but necessary reforms fully paid off in strategic prospects for the future.*

For the entire duration of the first half of the 1990s a big game was being played out around Kazakhstani oil. The geopolitical positions of many powers were involved in the matter, along with the interests of major transnational companies, and grand geoeconomic transport and communications projects appeared on the scene. The result was the arrival of TNC (transnational companies), the operations of which appeared to cast a dark cloud over the image of Western capital in the eyes of the population, over the reputation of certain high-ranking politicians in Kazakhstan and which had a significant influence on the relations of Kazakhstan with the great powers of the USA, Russia, the European Union and, a little later, China. In a strange twist of fate, it was not income from oil sales that promoted the recovery of Kazakhstan's economy.

The economic strategy banked on the macro-stabilization of the national economy, the development of the financial sector and the banking system, the release of entrepreneurial energy through market reforms and the raising of finance. The most complex task on this path was, of course, the introduction of a national currency and all that followed the adoption of this financial responsibility. Complications lay in wait for the young Kazakhstani currency, not only in the domestic economy but also, to no lesser degree, in the international arena. Kazakhstan, broadly dependent upon imports and many export items, was totally unable to isolate its own current from external influence.

In a certain sense we were fortunate that Kazakhstan's independent currency and financial system was constructed in the early 1990s, when the whole world had seen with its own eyes the calamitous and bitter consequences for many countries in Latin America and Africa by following the recommendations and strict requirements of the IMF in the 1970s and 1980s. To ensure the same did not happen in Kazakhstan, the republic's leaders decided to invite a group of independent experts, to provide the Government with a more or less importable and, most im-

* However, no account is made for the many victims of these reforms, linked, by their existence with the state budget. These are the pensioners, the military, doctors and teachers. And this is despite the fact that the market principles did work in the spheres of their professional activity. Furthermore, a monstrous thing happened from the point of view of traditional Soviet morality: the division of society into the rich and the poor.

portantly, independent analysis of IMF recommendations and predict how expedient or not it would be to follow the Fund's directions. As the IMF is under US control, it was a natural thing to invite Europeans as advisors, presenting an alternative financial and economic force in the world to the Americans.

Young Kazakhstani financiers, who still had close connections with German specialists from the time of their studies in West Germany, proposed candidates from the German Institute For Economic Research in Munich. Over seven years these experts were faced with task of observing first hand the formation of our currency and financial system, and to protect them from the destructive influence of the IMF's counsel. What happened at that time was beneficial only to domestic and international profiteers, yet the IMF insisted on continuing its previous liberal policy. However, the German experts stubbornly insisted on the combination of proportions in conducting a macro- and micro-economic policy. German advisors made a precise diagnosis of the catastrophic position in the the Kazakhstani economy and they revealed the reasons behind it: the effect of a so-called double shock therapy, where the macro-economic shock overlays the shock of the period of transformation.

The Germans believe that the young Kazakhstani financiers fell into a high interest rate trap, meaning they set a goal of raising capital from the population as a form of domestic investment. However, the population's lack of trust in the banking system at that time was considerable. They called this contradiction a dead-end street between the macro- and micro-economic policy. In this way, at different stages of the development of Kazakhstan's financial system, the German advisors, in turn, pointed to the weak points in the economic policy and to the traps that were lying in wait for them along the way. And almost every time the advice of the independent experts contradicted the recommendations of the IMF. In the early 1990s it was a problem of stabilizing price growth dynamics; in the middle of the decade it was a matter of budget policy; in the latter half of the 1990s it was the use of revenue from raw material resources. By the end of the century Kazakhstan was faced with a new task: pushing through pension reforms.

Thanks, to a great extent, to the experience of the German specialists and their advice, Kazakhstan's financial system, now considered to be the best in the CIS, acquired the features that ensured it would be effective: an assurance of payment discipline, support of transparency of financial operations and so on. Even to the untrained eye, Kazakhstan's financial policy demonstrates a strong political will, a clear understanding of its strategic objectives, its overall mission and potential threats. This factor would have been impossible if it were not for the close cooperation between the Kazakhstani financiers and the German experts.

The last time the viewpoints of the IMF and the German specialists collided was on the eve of the Asian crisis. The German consultants raised the alarm as early

as March 1998, insisting that protective measures be taken to prevent the consequences of the devaluation of the Asian currencies. The Germans saw no other way out than to devalue the tenge*. The IMF, to which the Kazakhstani Government was more inclined to listen at that time, insisted on supporting high interest rates and aggressive operations on the open markets.

Thus, in the period when our national currency was being formed it had godparents and nannies, standing on either side of the little tenge's cradle. These nannies were the representatives of the IMF and the German Institute of Economic Research, represented by their independent experts. Here, the latter tried to protect the tenge from the overly strict and radical advice and recommendations of the IMF. Put in simple terms, the Fund demanded that the baby should bathe in ice-cold water from its first days, while the Germans suggested adding some warm water to the bath.

In 1997 there was a fundamental clash on pension reform between the independent advisors and the World Bank. The German experts accused the World Bank and other international institutions of actively supporting a transfer to a new funded pension scheme, without warning the Kazakhstani Government that such a move could intensify political problems in the country. For the Government of the republic, which heeded advice from outside without due consideration, the most important objective then was to liquidate the accumulated debt and resolve the issue of non-payment.

At this time the need arose to develop the processing sectors in Kazakhstan, to avoid dependence on raw material exports. Leaving the country at the start of the new century, the German advisor gave the Kazakhstani leadership two pieces of advice. The first involved getting rid of the tutelage of the IMF and financial and loan dependence on the Fund as soon as possible. Kazakhstan followed this advice and fulfilled all its obligations to the IMF ahead of schedule. The second piece of advice involved getting Kazakhstan and its economy away from dependence upon raw materials. All the governments of Kazakhstan, wherever possible, have tried to heed advice and recommendations and, sometimes, even ultimatums from one side or another, and to take them into account. However, in reality it seems that at the heart of our financial strategy there were strict imperatives, dictated by life and the pressing tasks of the present.

The principal result of this early history of the tenge's formation is that it has been possible to create an efficient and operational banking and financial system and generate skills in control and management over the macro- and micro-economic situation. As such, Kazakhstan was already prepared for new storms on the world's markets. The main danger came from the dependence on raw material exports and, through this, from the unpredictable and uncontrolled structure of the global markets.

The process of economic transformations in Kazakhstan is a graphic example of the difficulties that have to

* The tenge is the national currency of the Republic of Kazakhstan, introduced in November 1993.

be overcome on the way to a market economy, even for new independent states with the richest of resources. The country's leaders inherited a situation that gave real grounds for optimism. The economy was diversified in nature and a reasonably well-developed processing industry and agricultural sector presented potential for a smooth transition to independence, by satisfying the material requests of the population to an extent that would preserve political stability.

Kazakhstan's decision to develop its oil resources by creating international consortia attracted the majority of the world's major oil companies. This strategy led to the arrival of many international players, who strove to assert an influence both on the country's government and on its companies. Many of them sought a way to become friends with the regime. There were many obstacles on the route to foreign investment, which Kazakhstan did not create itself. Thus, for a long time Kazakhstani politicians were unable to independently move forward with the problem of transporting energy resources.

On the way to achieving its successes, the country's leadership had to resolve four tasks: gain economic independence from Russia and other post-Soviet states, privatize available resources and companies without damaging the country's ability to sustain itself and fulfil social obligations, stimulate foreign investment and, finally, ensure that government officials demonstrate political will and discipline themselves and their relatives to stop corruption becoming an insurmountable hurdle for the functioning of the economy.

The country's economic strategy focused on the spheres of the economy for which foreign investment had priority: energy, especially oil and gas; food industry; gold mining; oil refining and non-ferrous metal mining and processing. The central focus of attention was the United States and Europe, where Kazakhstan presented itself as a Europeanized society, ensuring unhindered access to the markets of Central Asia and regions beyond. In endeavoring to appear in an attractive light to Korean, Japanese and other Asian investors, Kazakhstan stressed its "Asianness", just as it strove to combine capitalism and authoritarianism, following the example of certain "Asian Tigers". Kazakhstan courted Turkey and, to a lesser extent, the oil-producing countries of the Middle East, reminding them of their common ethnic (with Turkey) and religious (with other Muslim countries) identity, without rousing the spectres of pan-Turkism or pan-Islamism.

Nevertheless, the Government in Astana does have grounds for optimism. Under a certain opacity in the business atmosphere in Kazakhstan, considerable volumes of foreign investment continue to pour into the country, compared with other newly independent states. The economy is witnessing a decent improvement, inflation is generally under control and from the end of the 1990s, production has been on the rise. Moreover, unlike the majority of its neighbors, Kazakhstan has managed to preserve mutual understanding with the World Bank and other international financial institutions on most issues.

Economic growth in Kazakhstan had more than simply economic consequences. It also touched on the development of domestic politics. The decision to move to a market economy had political consequences which, in turn, led to the advent of new players. The next generation of the political elite is now growing up from within the heart of the economy and this trend is already beginning to show. Ministerial appointments today are made with account of the Government's need for key economic groups, predominantly linked with powerful lobbying from these economic structures. The same trend is also traced on a regional level, where major companies often prove capable of putting forward their own people for inclusion in local administrations, to protect their own interests in the first instance.

On the whole, the actions of foreign companies in the Kazakhstani part of the Caspian are promoted both by predicted and proven resources of this region, and by the attractive conditions, offered by the Government under an improvement of the favorable investment climate in the country. About 60% of foreign investment falls to enterprises in the oil-and-gas complex. The policy of raising foreign investment into Kazakhstan's economy and the oil-and-gas complex is distinguished primarily by a striving to lessen its dependence on Russia as much as possible. The specific nature of Kazakhstan's relations with Russia involve the fact that both countries are natural competitors on the world markets for raw materials.

A characteristic feature of investment projects in the republic's fuel and energy complex is the scale and the rates at which industry is being privatized. In practically two years about 90% of the country's industry was sold. This is where Kazakhstan's policy of raising investment differs from that of other post-Soviet countries, which bank on new investment projects, while preserving majority state ownership in the fuel-and-energy complex.

Finally, there is one more feature of the investment policy that is specific to Kazakhstan and that is the diversity of foreign investors. Together with this, as the number of foreign companies operating in the region increases, the probability of their interests conflicting also rises, both with domestic companies and between themselves. The most promising raw hydrocarbon deposits have been given to foreign companies to develop. The deposits and fields that belong to Kazakhstan are in an initial production phase and considerable capital investment would be required to support decent yield volumes.

The advent of an economic growth point in the Caspian, speaking in the language of 20th c

entury economists, in the form of the Caspian oil boom, will most likely have as its main socioeconomic consequence a push towards development in other spheres of the economy of Kazakhstan and of Central Asia as a whole. The matter concerns the accompanying sectors, service sphere, the production of goods and the necessary equipment, the development of the transport infrastructure and so on.

So what role in this mini-revolution will be allocated to Kazakhstan? It will be faced with taking on the regula-

tion and direction of the principal vectors of economic growth in the region and deciding in practice in which form and at what rate the region's economy will be developing on mutually beneficial terms. This mission can be compared with a locomotive, tasked with "pulling" its carriages up steep hills. Naturally, this locomotive must have economic weight and financial power and Kazakhstan should gain these properties from the Caspian dividends and, most importantly, from broad integration into the system of international economic links, which will inevitably follow the full-scale use of the resources of the Caspian Sea and entry to the WTO.

As far as Kazakhstan's involvement in globalization is concerned, it is very similar to the position of other countries in the post-Soviet space, although there are essential distinguishing features. It is assumed that they are presented with three possible scenarios for entering the process of globalization. The first involves the country's partial inclusion into the system of international economic ties with a turning away from the value, political and cultural component of the process. This is a contradictory variation and one which is hard to fulfil on the strength of the mutual dependence of all factors of globalization: economic, political and cultural.

The second variation assumes a forced entry into globalization, meaning the rapid adoption of its values and practice. Such a scenario is hard to fulfil and, what is more, it threatens a rejection of its cultural identity and political independence. Finally, there is the third variation, which comes down to a departure from globalisation, the continuation of development under the Soviet model, which assumed the supply of raw material in exchange for technologies and consumer goods. Such isolation or semi-isolation will lead to a finale that we already know: the stagnation of the economy with the corresponding social and political consequences. It seems that we have to seek a new model for the existence of Kazakhstan in conditions of globalization, which takes all three variations into account, the elements of which are currently observed in our development.

In this way, despite all the successes (at times relative) in its economic development, Kazakhstan still encounters many problems. However, at the same time, these problems uncover potential for foreign investors, that is if you reckon on joining their number. If the strategic spheres of the economy of Kazakhstan are already occupied, and we class large-scale industry, the oil-and-gas, metallurgy, ore and a number of other, mostly primary-product sectors in their number, in prospect there is an enormous number of niches still unoccupied. Agriculture in Kazakhstan is at a critical stage in its development. Wine-making, once flourishing in the south of the country and thoughtlessly destroyed in the Gorbachev era, is now crying out to be resurrected. The Soviet potential, which managed to survive the difficult 1990s, has now exhausted itself. New management is required, new technologies, especially selection technologies, and simply new equipment. Potentially, Kazakhstan could turn into a grain and meat base, not only for its immediate neighbors and within the

CIS, but also for the entire European Union.

Sectors such as tourism, infrastructure development, construction, transport, communications and trading are in need of Western-level experienced managers. Furthermore, Kazakhstan has the opportunity to apply and develop the most state-of-the-art technologies, including space, biological, atomic, chemical and nano technologies. On the whole the economic development of Kazakhstan demonstrates a potential, under which, following the strategic sectors should come the unavoidable development of the accompanying sectors and service provision. All of this uncovers wonderful opportunities for cooperation with international partners, and these could perhaps include you, the reader of this book.

Kazakhstan and its people have lived through a difficult history, which was often excessively harsh on them. The geography and the climate dictated that at the dawn of history the people who settled on this land were forced to fight for their survival. The fight for survival in adverse natural conditions was then supplemented with a struggle with a multitude of opponents. Kazakhstan has experienced the fall of many eras and civilizations, the most poignant of which was the separation from the old nomadic identity. Nevertheless many of its symbols still survive to this day. The last fall was only very recently, in 1991, and it still resonates painfully in the hearts of those who were raised on ideas of equality, justice and brotherhood.

A transition zone in a human, cultural and geographical sense, Kazakhstan today is the product of a peculiar synthesis of different ways to manage an economy, subordinating nomadic livestock farming, the agriculture of settled peoples and the industrial development of rich raw material resources. Finally, it joins various cosmogonical and religious concepts (Shamanism, Islam and Christianity) with certain political and social constructions, including or excluding tradition and modernity. As a result, the internal organization of Kazakhstan is a full reflection of its original state, coming out of the synthesis of the European model, transplanted from Russia, and the inner Turko-Muslim core, that has been preserved in the traditional sphere. All of this has created a polyethnic and multiconfessional Kazakhstani society.

Kazakhstan today is considered to be the most successful economy of the countries of the CIS. The process of economic transformations in Kazakhstan is a graphic example of the difficulties that have to be overcome on the way to a market economy, even for new independent states with the richest of resources. The country's leaders inherited a situation that gave real grounds for optimism. The economy was diversified in nature and a reasonably well-developed processing industry and agricultural sector presented potential for a smooth transition to independence, by satisfying the material requests of the population to an extent that would preserve political stability.

However, the republic's economy has come a long way and this path is characterized by a dramatic fall in production and a high level of inflation at the beginning of the 1990s, and a stabilization of the economy, slight economic growth and a drop in inflation at the end. By the

end of the 1990s, Kazakhstan has come through a phase of macroeconomic stabilization, the creation of a financial system and privatization in the major sectors of the economy. From that time and to the present, the economy of Kazakhstan has been in the ascendancy.

Economic reforms, implemented under the leadership of President Nursultan Nazarbayev have led to serious sociopolitical changes. Kazakhstani business now has young entrepreneurs, who have graduated from famous institutes in Moscow or who hold degrees in economics, finance and the engineering sciences from the English-speaking world. In the early 1990s many of them became the owners of small and medium businesses or banks. They acquired the mentality of a liberal market economy and they were ready and able to run their business without state subsidies. These representatives of the younger generation received the best education, they established international contacts and they were not burdened with the ideological ballast of the Soviet period.

Kazakhstan has other problems, too. On a regional level in Kazakhstan there is a significant disproportion from the point of view of population numbers, structure and development. Regional climatic and geographic differences, from the point of view of the demographic dynamic and socioeconomic conditions, have led to a very uneven distribution and density of the population of Kazakhstan. In Kazakhstan there are considerable socioeconomic differences from region to region. On one hand there are regions with a predominantly rural population and with a principally agricultural and old industrial structure. On the other hand, there are regions with a high proportion of urban population, with mineral raw material deposits and a competitive industry.

The move of the capital in 1997, from Almaty to Astana, located in the central part of the country, increased the reach of central government and eased its task of the day-to-day control over what was happening in the northern and western regions. In prospect, the Government of Kazakhstan is striving to form more uniform and manageable regions, by uniting low-populated areas.

So what is today's Kazakhstan? It is a country that has successfully rid itself of the negative elements of

the Soviet legacy; it is a country that is building an open and democratic society with a liberal spirit. Kazakhstan is already coming out of the transition phase, where economic reforms come before those of a political nature. Encountering many problems and difficulties, Kazakhstan and its political elite have learnt to resolve them and this should be recognized as the principal achievement of the post-Soviet era.

From political, legal and psychological points of view Kazakhstan is a diverse society, the legacy of the Soviet era. The next unavoidable task facing the new Kazakhstani political class is the consolidation of the society.

The only departure in terms of strengthening the unitarity of Kazakhstan and the preservation of its political stability came to be the combination of the model of a unitary government and powerful presidential authority. The history of the Kazakh steppe is full of examples, when a threat from outside has rallied the nation and led to national and state unity. A similar situation can be observed today as well. The political elite is rallied together through common interests to preserve the state sovereignty and territorial integrity of the country. Kazakhstan's politicians operate pragmatically and avoid any ideological confrontation.

In the politics of Kazakhstan the following priorities are distinct: the creation of an effective government, capable of surviving under the globalization of international relations, one that is an economic leader in the region in its role of *snow leopard*^{*} and one that remains true to its Eurasian surroundings.

And yet Kazakhstan has that something which ensures optimism remains high. There are more and more young people in the country, who look with true faith to the future; they build this future and they represent this future in the present. For these young people, who have grown up and have fully developed in what is already an independent Kazakhstan, our worries and doubts mean far less. They are optimistic and, at the same time, not so naïve as to fail to understand that Kazakhstan's future fully depends on them, on their will, their professionalism and their persistence in achieving their goals.

* The snow leopard is an unofficial symbol of Kazakhstan.