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# American Vector in Kazakh Foreign Policy: Main Cooperation Priorities

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In his annual state-of-the-nation address "New Kazakhstan in the New World" the Kazakh President defined 30 important aspects of the country's domestic and foreign policy. As a key aspect of the Kazakh foreign policy at the current stage the President specified the development of mutually beneficial cooperation with global and regional players. In particular, in the state-of-the-nation address the president said that the country would continue to adhere to its multi-vector policy which is "expressed in our good-neighbourly relations with Russia and China, which are priority, as well as in our interest and practical steps to develop strategic partnership with the USA and multilateral cooperation with EU countries" [1]. As we can see, the USA is stressed as a third priority in terms of significance in Kazakhstan's modern foreign policy.

Of course, at the moment the USA are one of the most important global players, capable of exerting significant influence on the development of world political and economic processes. Kazakh prominent expert Maulen Ashimbayev has expressed an interesting opinion on the importance of US factor in the Central Asian region: "The USA's multifaceted cooperation with regional countries is an important factor for Central Asia's development and for ensuring regional security, including in the sphere of countering modern challenges and threats. Washington jointly with various international financial organisations supports Central Asian states' efforts in the sphere of regional integration and initiates various programmes to expand regional cooperation in the spheres of trade, transport, energy and so on." [2]

Washington plays an important role in Kazakhstan's economic and political development. The USA are a major foreign investor in Kazakhstan. Over the years of independence US investment in the Kazakh economy exceeded \$15 bn. Trade between the two countries totalled almost \$2 bn last year. About 400 US companies are operating in Kazakhstan [3]. These figures, unconditionally, point to the significance of the US factor in Kazakhstan's future economic development. In addition to economic cooperation, Washington provides support in conducting political reforms in the country, taking into account the specifics of the country's cultural and historical development. For example, during her visit to Astana in October 2005 US State Secretary Condoleezza Rice positively assessed the development of democratic processes in Kazakhstan and noted

that each country should itself choose forms and methods of conducting democratic reforms [4]. The position of the head of the US foreign policy department means that the USA intends to develop progressive, friendly and mutually beneficial relations with Kazakhstan in the future.

In March 2007, the US House Committee on Foreign Affairs discussed prospects for developing Kazakh-US cooperation involving the Kazakh ambassador to the USA, Kanat Saudabayev. During the meeting, participants paid special attention to Kazakh President Nursultan Nazarbayev's latest state-of-the-nation address, noting the significance of the further development of strategic partnership between Kazakhstan and the USA. For example, the Chairman of the Subcommittee on Asia, the Pacific and the Global Environment, Eni Faleomavaega, said about the significance of the Kazakh aspect of the US foreign policy: "Kazakhstan has become a reliable partner for the USA in fighting terrorism, and, of course, has great energy reserves, which are capable of playing an important role in meeting the world demand. In President Nazarbayev's recent state-of-the-nation address we see a clear strategy for Kazakhstan's further success and with optimism look at the prospects for our cooperation, and intend to provide every possible assistance for this from the legislative branch." [5]

In general, the USA's interest in expanding cooperation with Kazakhstan is prompted by the following objective factors:

## GEOPOLITICAL FACTOR

Washington needs to strengthen relations with Central Asian countries to exert influence on the development of political and economic processes in the Central Asian region. In this regard Kazakhstan for the USA is a beneficial partner, which generates greater interest every year, showing rapid economic growth and domestic political stability. Moreover, after Washington's relations with Tashkent worsened in 2005, the USA are paying greater attention to Kazakhstan, describing it as a regional leader. It is no secret that Washington considers Kazakhstan as an object of advancing its own geopolitical interests in Central Asia.

## ENERGY RESOURCES

Ensuring energy security is a priority of the White House's foreign policy. As a result, Kazakh oil and gas reserves represent great interest for the USA as

an alternative to the Middle East. This is proven by the frequency of meetings between Kazakhstan and the USA, aiming to expand cooperation in the energy sphere. For example, during a meeting with Kazakh President Nursultan Nazarbayev in Astana in March 2006, US Energy Secretary Samuel Bodman said that the USA intended to double the volume of investment in the Kazakh economy over the next five years. As is known, the main destination of US investment is the Kazakh oil sector. One of the latest events in Kazakh-US energy cooperation was a visit by a US State Department delegation led by **Daniel Sullivan**, Assistant Secretary of State, for economic, energy and business affairs to Astana in February 2007. His meeting with Energy and Mineral Resources Minister Baktykozha Izmukhambetov discussed diversifying export routes from Kazakhstan. In particular, special attention was paid to the potential of a trans-Caspian oil and pipelines, which should become a new export route from Kazakhstan. In bilateral energy cooperation Washington supports the idea of building alternative pipelines from Kazakhstan to the European oil and gas market bypassing Russia.

### SECURITY AND WAR ON TERROR

A priority aspect of Washington's cooperation with Kazakhstan is the security sphere. Following the 11 September 2001 events Kazakhstan condemned the terrorist attacks in Washington and New York, and provided its air space for US aircraft under the Enduring Freedom operation and backed an antiterrorist operation in Afghanistan. At the moment, Kazakhstan is carrying out active humanitarian aid for Afghan reconstruction. Moreover, in 2003 Kazakhstan sent an engineering detachment to Iraq, which has cleared up over 4 million mines and explosives. All this has, unconditionally, strengthened relations between Kazakhstan and the USA in ensuring regional security, fighting terrorism and military cooperation.

At the moment, Kazakhstan and the USA have established very strong relations in ensuring security, which is based on a firm contractual basis. For example, in 2003 the countries signed a five-year plan of military cooperation. This document covers spheres of bilateral cooperation such as fighting international terrorism, developing peacekeeping forces, strengthening the combat capability of the Kazakh air defence forces, developing military infrastructure in the Caspian region, developing the navy, setting up a military institute of foreign languages and so on.

On 31 January 2006 Kazakhstan and NATO signed the Individual Partnership Action Plan, which will in the future become a defining document for developing Kazakhstan's relations with NATO. The plan aims to create a legal basis for cooperation, receiving consultations and exchanging experience on improving military budget planning.

This means that Kazakhstan's cooperation with the USA in ensuring security and fighting terrorism is developing dynamically both bilaterally and multilaterally.

### ADVANCING DEMOCRACY

A key element of the US policy towards Kazakhstan is to advance democracy and support successful and consistent political reforms. For this purpose the USA are providing various NGOs with financial support and cooperating with the country's civil society. For example, on 1 March 2006

a US House subcommittee backed the law on developing democracy in the five Central Asian countries, which allocated \$188m in 2006 and following years for a number of programmes on supporting democracy in all the five countries.

At a discussion of prospects for the development of Kazakhstan and Kazakh-US cooperation, held by the US House Committee on Foreign Affairs in March 2007, it was noted that President Nazarbayev's state-of-the-nation address's powerful social chapter attracted the USA's close attention as an important component of strengthening democratic construction in Kazakhstan. It was also noted that Kazakhstan was entering a stage of the practical implementation of further democratic reforms based on proposals drafted by the State Commission on Democratisation. By this, US congressmen expressed support to Kazakhstan in conducting consistent democratic reforms.

Thus, at the present stage the US policy towards Kazakhstan is defined by factors such as ensuring the USA's geopolitical interests and energy security, cooperating in security and fighting terrorism, supporting political reforms and advancing Western democratic ideals.

In addition to the positive assessment of Kazakh-US cooperation, experts note certain negative moments which may have a negative impact on bilateral relations in the future. For example, Kazakh prominent political analyst Murat Laumulin said that "the US policy towards Kazakhstan is based on the following parameters: ensuring Kazakhstan's involvement in implementing US geopolitical energy projects (Baku-Tbilisi-Ceyhan) in the Caspian Sea and tying Kazakhstan up to Western financial assistance, increasing the influence of the USA and NATO in military building, helping Kazakhstan move away gradually from Russia, supporting opposition and various NGOs and pro-US, 'liberal minded' organisations, exert political pressure to form the so-called pluralism in Kazakhstan, i.e. a system of the efficient functioning of alternative political centres of power (in parliament, political parties and the media) under foreign control". [6]

The worsening of relations between Moscow and Washington can be a potential threat to the positive development of Kazakh-US relations. For example, since the beginning of 2007, the development of Russian-US relations was negative. The main points of disagreement between Moscow and Washington are the following:

- policy of Russian major energy companies on the world oil and gas markets;
- NATO's expansion to the east;
- US plan to deploy antimissile facilities in central European countries;
- opposite positions by Russia and the USA on issues such as the status of Kosovo, Transdnier, Nagorny Karabakh and others;
- open criticism of the US foreign policy by Russian President Vladimir Putin;
- criticism of Russia's domestic policy by US top officials.

Thus, developing relations with Kazakhstan actively, especially in the security, energy and space technology spheres, the USA causes Russian concerns which complicate the geopolitical game in the Central Asian region, encouraging rivalry between regional powers, on the one hand, and the USA, on the other. China, along with Russia, negatively considers the US policy in the region and does not regard

it as friendly to its own interests. Beijing is interested in ensuring stability of its own "rear".

For its part, the USA see a potential threat from the Shanghai Cooperation Organisation and consider this organisation as an instrument of Russia and China to advance their own interests in Central Asia, used as a counteraction to Washington's policy. Washington motivates this thesis by the fact Shanghai Cooperation Organisation member countries prevent the USA from getting involved in its work even at an observer level, although this status has been granted to Pakistan, India and Iran. So, Washington is worried that cooperation between Moscow and Beijing, and, possibly, Tehran's more active involvement in the organisation will

lead to the undesirable decrease of Washington's influence in Central Asia.

Geopolitical rivalry which is developing in Central Asia by superpowers increases a conflict potential in the region and may lead to militarisation, which contradicts Kazakhstan's foreign policy interests. As a result, Kazakhstan, despite differences of the interests of its partners, will be adhering to wise and balanced foreign policy, developing mutually-beneficial cooperation equally with Russia, China and the USA. The president's address stressed that the future adherence to the multi-vector policy would help political stability and economic growth in the Central Asia region.

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# Security Issues in Asia

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**T**oday Asia is undergoing a rapid process of transformation.

On one hand, this enormous subcontinent provides wide investment, technological and innovative opportunities, on the other, it is the place where the sources of many contemporary challenges and threats are located.

As the result of occurring processes, leaders of Asian states are becoming more and more aware of the importance of the idea to form common political, economic and cultural space on the continent, create corporate structures of security and readiness for demonstration of good will on moving to gradual decrease of tension and achievement of agreement on prime steps in the sphere of disarmament, arms control and elaboration of confidence-building measures.

Perhaps, everyone would agree that during the XX century the words "peace, consent and security" have not been vivid symbols of the situation in Asia. Existence of acute and insoluble for that moment contradictions between the countries of the region did not allow them to generate even basic principles of interaction by analogy with the Helsinki Accord of 1975 in Europe.

By the end of the century, the tendency has changed: conditions for successful joint efforts of Asian countries in the sphere of maintaining peace, security and stability have been created; and a dialogue on Asian scale commenced. This was caused by a number of factors:

**First** of all, the period of bipolar world, which was accompanied by collision of interests of the superpowers and was the source of the opposition and tension on the continent, has come to an end.

**Secondly**, the aspiration of countries for joining efforts at a regional level became one of the main tendencies of globalization. Globalization opened borders to free movement of the capital, labour and intellectual resources and information. Number of issues, such as communications, ecology, water resources, counteraction to new security challenges, require joint regional decisions.

**Thirdly**, in all Asian countries the understanding ripened that peaceful settlement of essential social and economic problems is an indispensable condition of competitiveness and even survival in the modern world. And this is possible only by joint efforts on the basis of dialogue and mutually acceptable decisions.

Kazakhstan, understanding that in the existing conditions counteraction to new challenges and threats requires interaction of countries at global and regional levels, actively participated in formation and work of the Shanghai Cooperation Organization (SCO), Collective Security Treaty Organization (CSTO), Conference on Interaction and Confidence Building Measures in Asia (CICA). What are these international organizations and fora?

The Shanghai Cooperation Organization pays primary attention to the **issues of security and strengthening of peace and stability on the Eurasian continent**. The issues

of trade and economic, transport, cultural-humanitarian cooperation started taking an important place in its activity lately. Participation of Russia and China who are constant members of the United Nations Security Council and joining of such significant regional powers as India, Pakistan and Iran as observers, have made the Organization rather weighty factor of the world politics. The SCO can become one of the pivotal elements of forming multi-polar world. And the universality of the Organization and its orientation against specific threats, not separate countries or blocks, completely corresponds to our understanding of principles and bases of global security.

The Collective Security Treaty Organization (CSTO) is one of the tools of interaction and coordination of the work **on maintaining stability and security in the former Soviet Union and Central Asia**.

**The Conference on Interaction and Confidence Building Measures in Asia (CICA)** is international forum for dialogue, consultations, decision-making and confidence-building measures on the basis of consensus on the issues of **security in Asia**. The main task of the CICA is to reduce to a minimum disagreements between the member-states and thus to pave the way for future cooperation.

The idea to establish the CICA was voiced for the first time by the President of Kazakhstan Nursultan Nazarbayev at the 47<sup>th</sup> session of the United Nations General Assembly on October 5, 1992. The essence of this initiative was in aspiration to renew earlier failed attempts to create effective and universal structure on security and confidence in Asia since, unlike other regions of the world, this type of organization had not been established on the continent before.

**The basic purpose and direction of activity of the forum** is strengthening cooperation by elaborating multilateral approaches to maintaining peace, security and stability in Asia.

At the same time, I would like to emphasize, that the CICA **is not an organization** (at least for the time being). It is a forum, a dialogue platform.

**Member-states of the CICA are the following 18 states:** Afghanistan, Azerbaijan, China, Mongolia, Egypt, India, Iran, Israel, Kazakhstan, Kyrgyzstan, Pakistan, Palestine, Republic of Korea, Russia, Tajikistan, Thailand, Turkey and Uzbekistan. **Observers** of the CICA are the following countries and organizations: Vietnam, Indonesia, Malaysia, Japan, Ukraine and the USA; the United Nations, the OSCE and the League of Arab States.

Basic principles that the CICA members-states undertook to apply in their relations, are:

- 1) sovereign equality, respect of the rights inherent to sovereignty;
- 2) non-use of force or the threat of force;
- 3) territorial integrity of the member-states;
- 4) peaceful settlement of disputes;
- 5) non-interference into internal affairs;

- 6) disarmament and arms control;
- 7) economic, social and cultural cooperation;
- 8) observance of the rights and fundamental freedoms of an individual.

*The Catalogue of Confidence-Building Measures* was adopted on October 22, 2004 at the second Meeting of foreign ministers. The Catalogue is a unique document that creates serious preconditions for maintaining stability and security in Asia. This was the first time in the history of the Asian continent when such a document envisaging multi-lateral cooperation on a wide spectrum of issues of stability and security was adopted.

The diversity of Asia underlines the importance of confidence of building measures that were divided into 5 (five) basic measurements within the framework of the Catalogue:

1. Military-political;
2. Struggle against new challenges and threats;
3. Economic;
4. Ecological;
5. Humanitarian.

The CICA Confidence-building measures on one hand and peaceful settlement of disputes and implementation of arms control and disarmament agreements in the region on the other hand, are complementary and can be applied simultaneously by concerned states upon mutual consent depending on situations.

The Second CICA Summit of the heads of states and governments was held in Almaty on June 17, 2006. During the meeting Agreement on the CICA Secretariat was signed. By doing this a constant working body of the Conference has been created.

Kazakhstan worked on promotion of the initiative on convening the Conference on Interaction and Confidence Building Measures in Asia for more than 14 years. As expected, it took some time for the world community and, first of all, for the Asian countries to comprehend the idea.

As time passed, the world community came to trust in the real nature of the occurring process. Moreover, in 2004 the Kingdom of Thailand and in 2006 the Republic of Korea joined the CICA process. Other countries also expressed their desire to become participants of the Conference over time.

The countries of the region gradually came to understand the potential of the CICA within the framework of which joint activity can be concentrated on expanding the sphere of mutual interests among the countries with the different foreign political concepts and on solution of problems concerning all countries in the Asian region. For rather short term Asian states achieved significant success in coordinating positions regarding formation of mechanisms of cooperation and security on the continent within the framework of CICA. Now experts consider that the importance of the Conference grows due to the necessity of elaborating by Asian states of joint coordinated responses to new security challenges that represent one of the high priority issues in foreign policy of all states without exception today.

Certainly, one cannot claim that there are no regional associations on Asian continent. There are organizations based on geographical principle – the Association of South-East Asian Nations (ASEAN), South Asian Association for Regional Cooperation (SAARC), and the OSCE that extended its sphere of activity to Central Asia. There are the organizations uniting participants by various aspects of the international life – the League of Arab States (LAS), the

Organization of Islamic Conference (OIC), the Economic Cooperation Organization (ECO).

At the same time, there are no structures in Asia that work on expanding the sphere of mutual interests among the countries with different foreign political concepts and on solution of problems concerning all countries in the Asian region, except for the CICA.

The uniqueness of the CICA is that the Conference, being not the organization, but a forum, combines «non-bureaucratic» approach with practical nature of decisions and measures aimed at concrete results. The forum covers huge geographical area.

Total area covered by the members-states is 400 million sq. km., or approximately 89% of the whole Asia and 72% of the Eurasian continent. The population is a more than 2.8 billion person that is 45% of the global population.

These countries have long history and traditions, various ways of development and special mentality, wide range of national interests, own vision of the ways for solving issues of regional and world politics. And this is a basis for search of really fair and comprehensive decisions for Asia.

It is well known that in such region as Asia, where a number of the complex issues intertwined into a perplexed mass, it is rather difficult to come to consent on the whole range of issues in the security sphere. Therefore, from the first days of the CICA activity its participants apply the following approach: **attention is first concentrated on problems that equally concern everybody's interest, and then contradictory and disputable issues are considered.** This is the formula of the CICA success, which is in moving from simple to complex.

On March 12-14, 2007 a Session of the CICA Senior Officials Committee, chaired by Kazakhstani official, was held in Bangkok (Thailand). It was for the first time ever that CICA event was taking place outside Kazakhstan. This very fact has shown the international interest to the process. Decision by Thailand government to host the meeting in Bangkok and the high level session of the organization showed the establishment of constructive relations between the CICA and ASEAN, ACD (Asian Cooperation Dialogue), ARF (ASEAN Regional Forum).

As the result, the CICA process entered essentially new stage of development.

**Firstly, «Cooperative approach for the implementation of the CICA confidence-building measures»** was adopted. This document defines the spheres of interests of the members-states for carrying out specialized activities. Adoption of the «Cooperative approach» marked transition to practical realization of confidence-building measures reflected in the Catalogue (Catalogue of CBM).

**Secondly, «Guidelines for CICA's external relations»**, which laid the legal basis and defined principles of establishment and development of the CICA contacts with international fora and organizations, was adopted.

Having initially gathered for settling the issues on state borders on the basis of agreements on strengthening confidence in military area and on reciprocal diminution of armed forces in border areas, «the Shanghai five» – Russia, China, Kazakhstan, Kyrgyzstan and Tajikistan grew to rather dynamic and influential international organization. With accession of Uzbekistan in 2001, «the Shanghai five» was transformed to the Shanghai Cooperation Organization (SCO).

Such phenomena as terrorism, separatism and religious extremism pose a real threat to the people of the SCO coun-

tries, and counteraction to this so-called «three evils» became the basis of its activity since the moment the organization was created.

A new SCO body – the **Regional antiterrorist structure (RATS)** that coordinates efforts of special services of the SCO members-states in struggle against terrorism, separatism and extremism and cooperates with the Interpol, was founded in 2004 in Tashkent (Uzbekistan).

The situation in Afghanistan is a serious factor of instability in the region. The SCO states make every possible effort for improving the conditions in this country. A **Contact group the SCO-Afghanistan** was created; there is an Agreement on Cooperation in struggle against illegal trade of narcotics, psychotropic substances and their substitutes within the framework of the SCO.

Creation of the SCO initiated the formation of essentially new system of sub-regional cooperation via close interaction of the six states with possible subsequent accession of other countries subject to their consent to follow the principles and liabilities of the SCO. As soon as legal regulations and procedures of accepting new members are elaborated and approved, the SCO will be expanded by new states. The key-note of approved resolutions in the SCO is multilateral cooperation in accordance with the Statute and the Charter of this organization. Today the issue is not of expansion, but of strengthening the efficiency of the organization.

Especially, I would like to underline that the SCO is not a military block and not closed alliance directed against someone, but an open organization covering almost 2/3 of Eurasian continent and uniting the states of various civilizations. It is aimed at maintenance of peace and stability in the region and development of wide-scale international cooperation.

International contacts of the SCO have noticeably extended and become stronger during recent years. In 2004 Mongolia became the first observer in the SCO. Other significant states of the region – Pakistan, Iran and India obtained the status of observers in July 2005 at the SCO Summit in Astana. Belarus and Sri Lanka have officially declared their intention to become observers.

South Korea, Nepal, the CIS countries and the European Union, the UN Development Program, CSTO, ECO, other states and organizations show significant interest in the SCO activity. In December 2004, the SCO got the status of observer at the United Nations General Assembly. In spring 2005, the SCO Secretariat signed Memoranda of understanding with secretariats of ASEAN and the CIS, in May 2006 – with Integration committee of EurAsEC (The Eurasian Economic Community).

**The CSTO** (the Collective Security Treaty Organization) is the international regional association of Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Uzbekistan.

Primary purpose of the CSTO is maintenance of national security, protection of sovereignty and territorial integrity of the member-states, strengthening armament and organization of national armed forces, preservation of the incorporated system of air defence, adjustment of interaction and cooperation in the field of joint protection of borders shared with the states that are not members of the CIS. Now the CSTO can be named a component of the European and Asian security systems, and the Organization is open for new members.

One of the important directions of the CSTO activity is cooperation in the field of struggle against international terrorism, extremism and other accompanying crimes – il-

legal traffic of drugs and weapons, organized crime, illegal migration.

Now a number of initiatives that could affect the situation in the member-states of the Organization, and in the zone of the CSTO responsibility are under consideration within the framework of the CSTO.

One of the most important issues discussed within the framework of the Organization is the package of documents regulating the activity of the CSTO collective peacemaking forces.

On the initiative of Kazakhstan a draft intergovernmental agreement on joint actions on ensuring security for territories of the CSTO member-states from man-caused and natural trans-boundary emergency situations was elaborated.

Under the CSTO Council of Foreign Ministers a Working group on Afghanistan was established. Primary goals of the group are to work-out proposals on coordination of the CSTO member-states activities on the issues of post-war reconstruction of Afghanistan and to establish interaction with the Afghani side.

One of the priority directions of the CSTO activity is the work on strengthening the international nuclear non-proliferation regime. In May 2005 at the Seventh conference on consideration of action of The Treaty on the Non-Proliferation of Nuclear Weapons (NNPT) held in New York the CSTO member-states circulated a joint statement, where the urgency of «threat of proliferation of nuclear weapons, and materials and technologies required for its creation was underlined, especially in the conditions of the growth of terrorist danger».

Thus, the CSTO is meeting today's demand and focusing its activity on universal counteraction to modern challenges and threats.

The CICA, the SCO, the CSTO are complementary mechanisms. This peculiar triad is also important because economy, security and religious dialogue are not merely interrelated. Today one can confirm that the most effective economic projects are not strategically feasible unless safe environment is provided; and we can talk about security in the region only in atmosphere of peace and stability.

The President of the Republic of Kazakhstan Nursultan Nazarbayev in the annual Address to the Nation «A New Kazakhstan in the New World» noted: *«In order to use the advantages of regional development, it is necessary to ensure deeper and more beneficial integration of the region's countries.»*

*This has practical reflection in Kazakhstan's constructive initiatives to intensify cooperation in Central Asia, in Asia and the Middle East, to strengthen regional structures such as the Eurasian Economic Community, the Conference on Interaction and Confidence Building Measures in Asia, and the Shanghai Cooperation Organization.»*

Importance of Asian cooperation institutions is defined also by the birth of new independent culture of intergovernmental relations. Because of shortages in international law becoming more obvious, occurrence of various radical concepts of future world order, it is very important to create models of regional associations within the framework of Asian cooperation. The existing vacuum in international legal code should be filled also with such empirical experience that is obtained within the framework of the mentioned organizations and fora. This way of development will be the most reliable and effective means of overcoming today's problems and lack of trust and confidence between different types of civilizations.

# The Foreign Policy of the Republic of Kazakhstan in the National Security Reinforcement

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In the second half of XX century, the war and peace issues have acquired especial acuteness due to the development of such dreadful arms as nuclear, chemical and biological weapons. All problems accompanying this phenomenon occupy important place in the foreign policy of Kazakhstan.

Foreign policy of Kazakhstan, especially in the part of national safety, has never been reduced to the level of simple mechanic reflection on the arising situations. The people of Kazakhstan since the first days of independence have always been choosing firm and consistent line of maintaining their security not at the expense of increasing of the war potential, but by the means of realization of a peaceful foreign policy, participation in the international organizations and treaties aimed at maintaining a security, social openness, and economic integration into the world economy.

The Republic of Kazakhstan has ratified around 300 international conventions and treaties determining status of our country in the international community, its commitment to democratic development and compliance with international legal standards.

In the opinion of N.A. Nazarbayev, the President of the Republic of Kazakhstan, nowadays one is able to see the main track of international safety reinforcement in the expansion of regional and inter-regional connections. Diversity and unity of the world must not be based on nuclear containment policy; only close connections between its different parts are able to create peace. Therefore, all countries irrespective of their various quality and quantity characteristics have to contribute to the reinforcement of security and development [1, p. 62].

In this respect, the remarkable example could be set by Kazakhstan. Since the very first days of its existence as an independent subject of international law, the Republic of Kazakhstan has been actively taking part in the international community efforts in the maintaining the international security.

The role of Kazakhstan has been generally acknowledged by the international community. This was due to the huge nuclear arsenal in the territory of our country: 104 CC-18 rockets of permanent deployment with 1040 nuclear warheads, 40 TU-95 MC strategic bombers with 240 cruise missiles aboard [1, p. 63].

It should be taken into account that at the time different variants of solving the nukes' issue have been discussed, among them keeping of these weapons in the territory of Kazakhstan as a guaranty of security. Since the first days of independence, the President N.A. Nazarbayev has been

aiming to spare Kazakhstan from nuclear weapons. It was natural for a country, which has suffered a lot from nuclear tests. The tests have severely affected health and lives of the population and ecological balance in the vast territories of the country.

Almaty Declaration of December 29<sup>th</sup>, 1991, adopted by the leaders of Byelorussia, Kazakhstan, Russia, Ukraine with respect to Strategic Nuclear Systems, has determined the mechanism of the cooperative control over nuclear arsenal of the former USSR, prevention of any defaults in maintenance of the proper level of nuclear safety, and has approved the Signatories' commitment to the USSR's international obligations in the field of reduction of the strategic offensive arms.

In Lisbon on May 23<sup>rd</sup>, 1992, the representatives of Belorussia, Kazakhstan, Russia, Ukraine and USA have signed the Protocol specifying the scope of their responsibility for their performance of the provisions of the Treaty on Reduction and Restriction of Strategic Offensive Arms with reference to the Strategic Nuclear Systems placed in the territory of these four republics. The Lisbon Protocol has also contained obligations of Belorussia, Ukraine, and Kazakhstan as countries, which do not have nuclear weapons, to join the Non-Proliferation Treaty.

In December 1993, Supreme Council of the Republic of Kazakhstan has ratified the Non-Proliferation Treaty. The joining of Kazakhstan to the Treaty has been a important phase of the country's foreign policy realization. The world community has welcomed this act. Many leading countries of the world have noted that Kazakhstan has demonstrated its responsibility and maturity in the international affairs, as well as its intention to constructive participation in solving of the vital issues of the modern world.

In September 1994, the Government of Kazakhstan has taken a decision to become a part of the AMD Treaty (treaty between USSR and USA about reduction of anti-missile defense systems). Such decision was taken by Kazakhstan due to the important role played by the AMD Treaty in maintaining of strategic stability internationally.

December 5, 1994, during the Budapest Summit the leaders of Great Britain, Russia, and USA in accordance with the earlier agreements have signed the Memorandum on Security Guaranties Provided to Kazakhstan. This event is taking especial place in the history of the independent state. The document is solving a strategic issue of maintaining the country's safer development: collective obligation to maintain Kazakhstan's sovereignty, territorial unity and guarantying its economical independence.

The same guaranties were given to Kazakhstan by China and France. The leaders of 5 states – signatories to the Lisbon Protocol, have also signed the Protocol on Exchange of Ratification Deeds on the Treaty on Reduction and Restriction of Strategic Offensive Arms, which means coming into effect of the Treaty on Strategic Land Weapons -1 [2, p. 384]

In April-May 1995, the Conference on the Non-Proliferation Treaty Observation and Prolongation took place in New York.

The Conference has taken a decision on the perpetual validity of the Treaty. Kazakhstan was among the countries that have expressly supported the decision on perpetual and unconditional prolongation of the Treaty.

The unlimited prolongation will allow for reinforcement of the regime of non-proliferation and for continuation of the efforts on the reduction of nuclear arms, contributing to the peaceful use of nuclear power.

The "Sapphire" operation, i.e. sale to USA of 600 kg of highly-enriched uranium kept around 20 years in the warehouses of Ulbinskiy Metallurgy Plant has been considered a positive step on the part of the Kazakhstan Government in the efforts of nuclear materials' illegal trade prevention.

According to Pentagon estimates, the uranium in such quantity could be sufficient for production of 20 nuclear bombs.

The operation "Sapphire", apart from the removal and purchase of the uranium by USA, has included compensational deliveries of equipment and services as per mutual list. Compensatory payments have been effected as separate projects according to needs of Kazakhstan organizations, whose participation quotes have been determined by the Kazakhstan Government.

The project was planned to be realized within the four-year period, from 1993 to 1997. The significant part of "Sapphire" belonged to medical projects. May 5, 1995, the issue of nuclear weapons in the territory of Kazakhstan has been closed [3, p. 467].

That was how foreign policy of the young sovereign country have revealed Kazakhstan's stand for ban of any nuclear tests and its readiness to participate in the increase of efficiency of the control for observation of the provisions of the Treaty on Nuclear Tests' Ban.

Particularly, Kazakhstan has proposed to include three modern seismic stations located in its territory into the global monitoring network, which would serve as an effective control means over the nuclear tests' execution.

13-15 January, 1993, the ceremony of signing of the Convention Banning Chemical Weapons' Development, Manufacturing, Accumulation and Use and its Liquidation has taken place in Paris. This Convention has been signed by over 130 states including Kazakhstan (January 14, 1993).

The former bacterial weapons' manufacturing facility (Stepnogorsk's Biological Plant) is also located in Kazakhstan.

Therefore, the issue of Kazakhstan's joining to KBTO is relevant to our country. In the end of 1996, the Fourth Conference on Revising of KBTO has taken place in Geneva [4, p. 468]. The final document of the Conference states that the participants of the Convention consider it applicable to all achievements in the field of biology and biotechnology after 1975. It is deemed that the Convention bans the use of biological weapons despite the absence of such term in its title.

The provisions of the Convention contribute to the economical and technical development, international cooperation in the field of peaceful use of scientific achievements, aiming at complete disarmament, including ban and liquidation of all types of weapons of mass extermination. Soon after joining the Non-Proliferation Treaty, in July 1994 Kazakhstan has signed with International Atomic Energy Agency (IAEA); the Agreement on Guarantees ratified in June 1995.

The Coordination Plan of Technical Assistance to Kazakhstan on reorganization of state system of accounting and

controlling the nuclear materials and equipment is being developed and executed under the aegis of International Atomic Energy Agency (IAEA); USA, Great Britain Sweden, and Japan are taking part in it.

Within the framework of the plan the specialists of IAEA and donor countries train the specialists of atomic industrial sector of Kazakhstan, consult the specialists installing the equipment on the enterprises of atomic scientific industrial complex of our country.

The legislative and standard base regulating the nuclear activity of Kazakhstan is being developed and improved. The great assistance is provided by IAEA and c donor countries, which regularly consult Kazakhstani specialists and carry out expertise of the legislative acts and standard documentations developed.

Proceeding from its own view on the issue of the international security and disarmament, the Republic of Kazakhstan purposefully and actively is taking part in the process of security and disarmament systems' construction in every stage of international cooperation in Eurasia.

Firstly, this is the policy of integration of efforts of three Central Asian states: Kazakhstan, Uzbekistan, and Kyrgyzstan to maintain peace and stability in Central Asia. Secondly, this is Kazakhstan's active integration policy within CIS in the sphere of international security and disarmament. Thirdly, this is Kazakhstan's participation in the OSCE activities, in the program "Partnership for Peace", in the Non-Proliferation Treaty, Treaty on Strategic Land Weapons – 1, as well as within the framework of the Committee on Disarmament.

Fourthly, it was Kazakhstan's initiative to summon the Conference on Interaction and Measurements of Trust in Asia. This is a long-term work on development of modern security and cooperation structures within which, with the course of time, one would be able to start disarmament talks in the Asian continent [5].

Kazakhstan is viewing United Nations Organization as an international organization pursuing one of the most important targets, i.e. of international peace and security keeping.

With the Cold War end and the collapse of bipolar system of relationship, the need for reconsideration of the existing system of international of security is evident.

The supreme governing body of the RoK believes that UN efforts need not be directed at performing the punitive functions of international policeman, not at participation in the conflicts at their most uncontrollable stage but at the solving the conflicts' core causes (most of them are of economical nature) and at prevention of potential tension. The preventive diplomacy has to be always used to the last opportunity, since power is just the last but not always decisive argument.

The poor economical development of many countries is one of the sources of the permanent tension in the world.

Therefore, comprehensive scientifically-organized assistance to the developing countries has to become the priority in the UN activity.

Obviously, the UN membership has to bring Kazakhstan political, economical and other benefits, contributing to the progressive development of our state and reinforcement of the regional and national security.

47<sup>th</sup> Session of UN General Assembly in autumn of 1992 became the first Forum, where Kazakhstan delegation has taken part. N.A. Nazarbayev, the President of Kazakhstan, has set fourth principles of participation of independent Kazakhstan in the activity of this international organization, our vision of its role in the modern world. He has also set forth large-scale foreign policy initiatives. From the UN viewpoint, the contribution of Kazakhstan to reinforcement of the global and regional security is filled with concrete practical meaning. Well considered and pragmatic course of

the leader of our country together with Kazakhstan's commitment to observe the international legal standards rises respect and recognition on the part of countries-participants and management of organization.

The increased foreign policy activity of Kazakhstan is certified by the extensive list of UN Resolutions where Kazakhstan has participated as a co-author.

Among them is the Resolution on the Complete Nuclear Test Ban Treaty, on Stoppage of Space Arms Race, Integration of the Transition Economy Countries into International Economy, Human Rights and Terrorism. Joining UN Resolutions and in so doing demonstrate complete support to the respective documents, Kazakhstan has demonstrated its irreversible involvement in peace-making processes on a global scale.

The special place in the line of security organizations is occupied by the Organization on Security and Cooperation in Europe (OSCE). In January 1992, during the Session of Foreign Affairs Ministers Council of the OSCE Member States in Prague, Kazakhstan in the number of ten newly independent CIS states has been accepted to the structure of participants of common European process.

Kazakhstan has decided to involve in the common European process proceeding from the need to participate in a unique forum that allows developing and applying the principles providing for stability and security.

Special interest is shown by Kazakhstan in the reinforcement of social economical and ecological direction within the OSCE framework taking into account the solving problems of Aral and Semipalatinsk region. This fact was declared during the OSCE summit that has taken place December 2-3, 1996 in Lisbon. N.A. Nazarbayev, the President of RK has taken part in it. In the address of the leader of our state, a special attention has been paid to the conceptual approach of Kazakhstan to the European security issues based on the integration trends and ideas of Eurasianism.

The Summit has adopted the final document that has included a general political declaration and Declaration on the Model of Comprehensive Security for Europe for the XXI Century. The Lisbon Summit underlined an important role of the Central Asian States in the OSCE. The Summit welcomed the historical fulfillment of Kazakhstan, Ukraine and Belarus' obligations on nuclear war heads withdrawal from their territory.

In March 1992, the OSCE participant states have adopted the Viennese document (VD-92) based on Paris charter for new Europe uniting the set of measures of trust, security and disarmament in Europe.

In two years the VD-94 has been adopted. In accordance with the document, the communication line has been installed in Almaty connecting capitals of participant states. Kazakhstan annually exchanges information, notifies its OSCE partners about plans and certain types of military activity and accepts inspectors of other participant states in the zone of application of trust and security measures in the territory of Kazakhstan.

In May 1995 in Almaty, the Ministry of Foreign Affairs of the Republic of Kazakhstan in cooperation with OSCE Center on Conflicts Prevention has carried out a Seminar on the Measures of Trust, Security and Control over the Weapons. In November 1995, the OSCE Central Asia Communication Bureau has been established by the OSCE decision.

Kazakhstan has set forth a proposal to OSCE to activate the operation of the Bureau and consider the issue of reinforcement of economical and ecological direction of the OSCE Central Asia Communication Bureau operation, taking into account the special interest of Kazakhstan in solving the problem of Aral and Semipalatinsk polygon.

One of the most important events of the end of 1999 was the Summit of Organization on Security and Cooperation

in Europe (OSCE) participant states (the last such summit of XX century) that has taken place in Istanbul, 18-19 November; it had to establish security and cooperation grounds not only in Europe but also in surrounding regions in the coming century and millennium. However, the vital issues of the European continent have turned it into a discussion of the present and the future.

54 countries of the world have signed the European charter of common European security, which was called "original constitution of XXI century" by Igor Ivanov, Russian Minister of Foreign Affairs [5, p. 20-21]. The President N. Nazarbayev depicted the present political situation in Kazakhstan since the direct alternative election of the President and free parliamentary elections for the first time in Kazakhstani history have taken place prior to the Summit with great assistance on the OSCE part.

Military and political cooperation of the RoK and NATO is one of the most important elements of reinforcement of our country's national security. The Kazakhstan - NATO relationship has been commenced with the visits of M. Werner, NATO's Secretary General to Almaty, and N.A. Nazarbayev, President of the RoK, to NATO Headquarters in Brussels in 1993.

In 1992, Kazakhstan has become a member of North Atlantic Cooperation Council (NACC, restructured into North Atlantic Partnership Council NAPC in 1997).

27 of May 1994, within the framework of "Partnership for Peace" program the Frame Document has been signed by the Republic of Kazakhstan.

The individual RK - NATO Partnership Program aimed at activation of priority directions of the cooperation has become the concrete embodiment of such interaction.

First of all, it suggests political consulting, realization of cooperative practical military events including preparation of Kazakhstan peacemaking battalions, as well as coordination in the situations of crisis and liquidation of consequences of natural disasters.

The tactic exercises "CenterAsBat-97" conducted in Kazakhstan for the first time and featuring Central Asian countries and NATO military divisions became an important event. The event is described in detail in the above paragraphs.

In April 1999, when N.A. Nazarbayev, the President of the RK has taken part in the NATO's 50<sup>th</sup> anniversary celebrations, he has greatly appraised the cooperation with NATO, the organization capable of quick solving of great security problems. "The prevention of ethnic conflicts, struggle with terrorism, spread of weapons of mass extermination, drug business and international criminals, - this is the incomplete list of our interaction spheres", he noted at the Plenary Session of Euro-Atlantic Partnership Council [6]. The leader of our state has confirmed our adherence to the position of preventive diplomacy. It has become obvious today that the existing system of international security has to be ahead of the future, otherwise one would have to deal with extremely hard consequences, as it has happened to Yugoslavia.

By the results of the participation of Minister of foreign affairs of RK in Ministry of foreign affairs of NAPC in Brussels in December 1999, the activation of military and political cooperation of Kazakhstan with NATO has been noticed. So the frame of political interaction within IPP for 2000-2001 has been greatly widened, particularly in such issues as development of defensive policy and strategy, democratic control over military forces, etc. At the same time, the interaction within program of "the third dimension" - "the Science for Peace", "Environment", "and Ecology" is being increased. It shows that Kazakhstan is considering the NATO as a prospective partner in military and political and scientific spheres. For example, a number of scientific research centers of the Republic taking part in the NATO

program "Science for Peace" have received grant support and opportunity for their scientists to be trained abroad.

This program provides the opportunity of international cooperation and scientific space integration.

Special significance is attached to the coordination of efforts in the struggle with terrorism, extremism, illegal drug trafficking, arms-smuggling, other problems closely related to the regional security. Therefore, during the meeting the necessity of usage of NATO/NAPC potential has been emphasized.

Besides, Kazakhstan actively advocates the establishment of special work group which will contribute to the development of regional cooperation, including participation within NAPC framework.

June 29, 2004, during the Istanbul Summit N.A. Nazarbayev, the President of RK, has confirmed the basic principles of the further interaction between Kazakhstan and NATO.

The need for coordinated actions of the Alliance with such international organizations as Shanghai Cooperation Organization, Central Asian Union, and Organization of Collective Security Treaty in the struggle with main regional security threats: drugs trafficking and terrorism has been emphasized.

In this connection, N. Nazarbayev has welcomed the NATO efforts on regulation of situation in Afghanistan and outlined the readiness of Kazakhstan to participate actively in the reconstruction of this country. So, the NATO and the Republic of Kazakhstan are drawn together by the common interests in the field of struggle with international terrorism and drug trafficking.

NATO is worried about the security of Central Asian region. NATO and Kazakhstan cooperate within the scientific field and in the sphere of civil emergency planning. Since Kazakhstan is subject to natural disasters and catastrophes, such as earthquakes and floods, serious grounds for cooperation exist in protection of important cities situated in the high risk zones. The NATO assists the project on evaluating of radiological situation in Saryzhal District and Semipalatinsk polygon also supporting the efforts of Aral Sea recovery. All these facts show that the relationships of the Republic of Kazakhstan and the NATO at the present are developing dynamically and on the mutually beneficial basis.

On the First Congress of the traditional and world religions that took place in 23-24 of September the President N.A. Nazarbayev has noted that territory of the Great Steppe has always been distinguished by integrated peaceful co-existence of many "peoples of diverse confessions; Tengrianism, Zoroaster's religion, Buddhism, Christianity, Judaism, Islam and other. Since ancient times till present this land through the trade and cultural exchange has been performing the function of the original connecting link between Asia and Europe. It is now the native land of the representatives of many peoples and religions" [7].

The Republic of Kazakhstan has occupied an important place in the modern world thanks to active participation in

the reinforcement of peace and stability on the planet. The societal security problems within the framework of history of international relations and foreign policy act as an important link of the general problem of humanity development in whole, and of a separate region in part.

It is explained by the fact that civilization development of a society is impossible without conditions that provide for their domestic and external security.

The previous mechanisms of security based only on the protection of external frontiers and military containment already are not efficient in the struggle with such factors as international terrorism, religious extremism, drugs and human trafficking.

Globalization of international relations, reinforcement of their regional and global ties, construction of the system of world economic relations and development of international division of labor, appearance of the global problems of economical development and nuclear weapons - all these factors result in the fact that national security might be only provided properly by means of reinforcement of international and regional security.

The developments in Central Asia region reflect now and will reflect in the future the development of situation on a global scale. Counteraction to the new challenges to security becomes the primary task in the unstable world. It is quite natural that the future of the Central Asia will continue to depend on the development of situation in surrounding countries and in the world's geopolitical centers.

The geopolitical factor that generates and forms the nature of threats in the region is the fact that Central Asia becomes a ground for the religious extremism and international terrorism. These are also problems of drug spreading, increase of arms smuggling and illegal migration.

The level of involvement into the global reproduction circles becomes the key factor for the national and regional security. In this connection, the system of maintaining the national security is a construction of multi-tier nature.

Within the short period of existence as a sovereign independent state the Republic of Kazakhstan has significantly strengthened its international authority in the world. The state government adheres to an opinion that the security guarantees for every separate state lay in the world reinforcement of the universal security.

Kazakhstan actively participates in the international efforts on formation and reinforcement of effective system of collective security in the geopolitical surroundings of the country, and participates in the international organization, whose activities correspond to security interests at all levels.

The efforts of Kazakhstan in the reinforcement of security at all levels could be considered a big success of foreign policy mechanism operating as an extensive government institute. The factors of personality, energy, intuition and political art of the leader of the state have played an important role in this success.

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# China and Russia Within the Framework of Shanghai Cooperation Organization: Implications on Central Asia

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**T**he latest political developments in Central Asia, undoubtedly, have been a consequence of China and Russia's active involvement in the affairs of the region and inadequate policies of USA and Western block, as well as mostly passive, "wait and see" policy of the Central Asian countries.

In this connection, one can make only interim conclusion: political and economic processes in the region mainly reflect the success and failure of the policies of the external centers of power and Central Asian countries. But if, in future the Central Asian countries continue to act mostly in reaction to the policies of the three external centers of power in the region, then the geopolitical changes in favor of the strengthening of one of external centers of power, are imminent.

The strong involvement of China and Russia's interests in the region is seen on activation of Beijing and Moscow policy in the framework of Shanghai Cooperation Organization (SCO).

## **The phenomenon of Shanghai Cooperation Organization or why do China and Russia dominate in SCO?**

In connection of the domination of the interests of China and Russia, the following must be understood. As far as the strengthening of the strategic cooperation of the Central Asian countries with China and Russia within the framework of SCO is concerned, the unjustified criticism and political pressure from West, based on the so-called principle of "protection of human rights", during the electoral and politically unstable periods (such as on the eve of the presidential and parliamentary elections and during intra-political crises in Central Asian countries) have, in many respects, greatly influenced the current policy of the Central Asian countries. But, perhaps, the greatest incentive for the Central Asian countries to come closer to China and Russia was the US participation in the preparation for the replacement of the ruling regimes in the post-Soviet space which has been greatly undermining the mutual faith between them. The events in Georgia (in 2003), Ukraine (2004-2005), Kyrgyzstan and Uzbekistan (2005) gave start to review their attitude towards the West.

Here it can be said that the political pressure put by the West under the banner of "protection of human rights" and

the US attempts to replace the ruling regimes in the post-Soviet space, are simply pushing the Central Asian countries towards a closer cooperation with Russia and China which is giving birth to unity of views between them regarding the Western strategy, directed towards the change in the existing structure in the Central Asian countries. Especially it was likely in China's interests, as "China shares with Central Asian countries the resentment against the promotion of ideas such as human rights by the West in general and the USA in particular. This does constitute some form of unity between China and Central Asian states against the West strategy of peaceful evolution"<sup>1</sup>.

And against this background of the Western criticism, since Moscow and Beijing are, as a rule, the only countries openly supporting the acting leadership of the Central Asian countries during the period of complex political processes (as was the case of criticism by the countries of EU, OSCE and USA in connection with the events in Andijon), all the latest changes in the geopolitical configuration inside and around SCO have, naturally, developed in favor of Russia and China. It is therefore not surprising that once the events in Andijon were over the President of Uzbekistan Islam Karimov flew to Beijing and Moscow, and the President of Kazakhstan Nursultan Nazarbaev, after the Presidential elections were over, made his first foreign visit to Russia.

Thus, as soon as USA and the European Union took a rash step in connection with the events in Andijon, Tashkent simply shifted its foreign policy emphasis in the direction of strengthening of cooperation with Russia and China in the framework of SCO. But if there was no criticism, pressure, blackmail etc. of a truly foolish and irrational approach on this issue, there would have been no strengthening of the influence of SCO or removal of American base from Uzbekistan. The outside players see only what they wish to see and what they are the most afraid of.

In China, on the other hand, it is very clearly understood that as long as the Communist leadership of the country

<sup>1</sup> Russell Ong. China's Security Interests in Central Asia //Central Asia Survey (December 2005), 24 (№ 4). – P. 428.

openly supports the rulers in Central Asian countries as a counterbalance to the pressure from the West, SCO will play in their hands and will reflect to a greater extent their interests with respect to the West. No wonder that from the very beginning of the Central Asian countries independence, in 19991, "China's policy was directed to place stake on supporting the Central Asian political elites and strengthening its impact in the region mostly by participation in largest economic projects, whereas the USA by all means have been trying to export the democracy into the region"<sup>2</sup>.

As a result, at present, much more activeness in the political and economic processes in Kazakhstan and in Central Asian countries is shown by China and Russia. That is why those are the places visited by the Presidents of the countries of the region after or before all the important political events.

At the same time there is a serious difference of opinion between Russia and China on the question of further development of SCO, since each of these countries defines the priorities of the organization in its own way. Each of them looks at the future of SCO from the angle of its own national interests in the region of Central Asia. As a matter of fact, despite the present unity of opinion regarding the presence of the West in the Central Asia, from the long-term perspective the contradictions between China and Russia will only increase. Their essence is simple: Russia strives to retain its influence in Central Asian countries and protect this region from the increasing influence of China. On the other hand China strives to increase its influence in the region on account of the weakening of the Russian influence. This can explain the existence of several disputable and contradictory issues between Russia and China and they will have a tendency to increase in future.

**Russia and China' increasing contradictions with the framework of SCO.** There is need to say that within the framework of SCO several concrete differences of opinions exist between Russia and China, which mainly come down to the question of the future status and perspectives of development of SCO as a regional organization. Among them one can separate out three most prominent issues.

- In Russia lately they have started discussing the rationality of the further widening the field of activity of SCO as a regional security structure, since the strengthening of this organization will obstruct the development if CSTO (Collective Security Treaty Organization) which is another organization, more important from the view point of ensuring security and territorial integrity of Russia and CIS countries on the whole. Here, Russia as well as other CIS countries clearly understand that as military-cum-political structure CSTO should not allow under any circumstances the interference of third forces (including China) in the affairs of the countries united under its banner. Only in that case CSTO can effectively supplement CIS and EEC, and cooperate with NATO and SCO in the global context<sup>3</sup>.

Moreover, it must be noted that Russia doesn't want erosion of the functional boundaries of CSTO and in this

connection its measures for resolving the contradictions between CSTO and SCO in the sphere of security will be directed towards the re-orientation of the zone of responsibility of SCO in the direction of South Asia, particularly by including into the framework of SCO such member countries as India, Pakistan and Afghanistan<sup>4</sup>.

In turn, all this shows that Russia traditionally considers the countries of Central Asia as a strategic buffer against external threats and many foreign policy interests force Russia to retain the given region within the sphere of its influence. Moreover, the protection of economic interests is one of the most important foreign policy aims<sup>5</sup>.

This is confirmed also by the fact that in none of the basic documents of Russia, approved in the beginning of V. Putin's Presidency – Concepts of Foreign Policy (approved by President of Russian Federation on 28th June 2000) and Concepts of National Security (approved by the order of President V. Putin on 10th January 2000) - there is no mention of SCO, although SCO started functioning as early as April 1996 when an agreement on strengthening the confidence military sphere in the border districts was signed in Shanghai. There was no mention of SCO also in the speech of the Minister of External Affairs of Russia V. Lavrov during the 60th session of the UN General Assembly in New York on 18th September 2005. In this speech the main attention of this head of the foreign ministry was focused on the formation of a balanced and safe international system based on respecting the peculiarities of each country, sovereign equality and collective responsibility and organization of struggle against terrorism<sup>6</sup>.

- The second no less important contradiction between the views of China and Russia are the discussions about the priority direction of development of SCO in future. This contradiction is particularly noticeable in the background of activation of China in Central Asian countries at the bilateral level as well as at the level of SCO.

Thus China thinks that in the nearest coming years SCO should transfer the centre of gravity of its work from the sphere of security and the confidence building measures to economy and energy sector because the further development of this organization will become difficult without cooperation in economy and energy sector<sup>7</sup>. Therefore Beijing is insisting on the creation of an integration space within the framework of SCO in the nearest future.

Russia, however, proceeds from the understanding that the preferred direction of development of SCO, as before, should be the cooperation in the sphere of security, and "insists on continuing the traditional activity of SCO in the sphere of fight against terrorism, extremism and

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<sup>7</sup> Chzao Huashen. SCO: Conclusions of the First Five Years // Materials of the IV Annual Almaty Conference on "Concepts and Approaches to Regional Security: Experience, Problems and Perspectives of Interaction in Central Asia". KISI under the President of Kazakhstan Republic. – Almaty, June 7, 2006, – pp. 111-112.

<sup>2</sup> K. Syroezhkin. The Problems of Modern China and Security in Central Asia. – Almaty, 2006. – P. 224.

<sup>3</sup> K. Syroezhkin. SCO and CSTO: problems of interaction /Materials of IV Annual Almaty Conference "Concepts and Approaches to the Regional Security; Experience, Problems and Perspectives of interaction in Central Asia". KISI under the President of Kazakhstan Republic. – Almaty, 7 June 2006, p. 203.

separatism"<sup>8</sup>, and that too at the present level of interaction because originally the organization was created for these very purposes and this continues to be an issue of principal importance.

So far as the Chinese proposal of creation of a single integration space within the framework of SCO is concerned, in Moscow it is assessed as a distant task since at present one can talk only about individual sub-regional integration projects between 2 or 3 countries with comparable economies<sup>9</sup>.

Complexity of the given situation consists of the fact that the Central Asian countries themselves haven't still firmly determined their view on this issue. At least no Central Asian country has so far made any official statement on this question. One would like to believe that soon the position of the countries of the region on this question will become clear and it will reflect the Russian point of view because the political elite of the region cannot ignore point of view of the people of the region who negatively assess the perspective of the increase of China's economic influence and interests in the Central Asian countries, particularly when it concerns the active expansion of the Chinese oil companies in Kazakhstan.

Moreover Russia is already carrying out, together with the Central Asian countries, the regional economic integration within the framework of EEC (Eurasian Economic Commonwealth) and EES (Eurasian Economic Space). Thus, in this regard, the integration and cooperation within the framework of EEC and EES is much more important than SCO for Russia as well as the Central Asian countries. Accordingly one can expect that the strengthening of the integration processes within the framework of EEC will further increase the Russian-Chinese contradictions in SCO.

• In Russia today there is an increasing fear that close political and economic cooperation with China at bilateral Russian-Chinese level and particularly "the disproportionately large percentage of Chinese investments in the economy of the country, is clearly dangerous from the strategic point of view and is not in the long-term interests of the country"<sup>10</sup>. Russia has gradually started realizing that by promoting the strengthening of China in its economic growth and in increasing its political influence in Eurasia, Russia is subjecting itself to a great danger in future since the economic integration of Russia and China can have very sad demographic consequences for Russia while the increase in Chinese influence in Central Asian countries will lead to weakening of the Russian influence and, in future, to loss of this region.

V. Putin's last visit to China in the spring of 2006 has to be considered in this context since it became clear then that Russia is in no hurry to implement the construction of the oil pipeline branch to China from the oil pipeline being constructed to Japan and Korea (the length of this oil

pipeline from Siberia, being constructed along the Japanese coastline of Pacific Ocean, is 4100 km) precisely because of "the factor of Chinese demographic expansion in Siberia and Far East"<sup>11</sup>.

Commenting on V. Putin's China visit, one of the ideologists of modern Russia, having great influence on the Russian political elite, A. Dugin writes that "by supplying oil to China we (i.e. Russia) are strengthening the economic position of our possible competitor: the Chinese demography is capable of sharply flooding the Eastern Siberia and Far East and, as a matter of fact, easily break it away from Russia later"<sup>12</sup>.

"There is always a danger of becoming too dependent on China. And I think that Russian government well understands this threat". Thus explains the situation V. Larin, Russian expert on China working at the Institute of History, Archeology and Ethnography of the People of Russian Far East in Vladivostok<sup>13</sup>.

Such opinions, in case of their strengthening in Russia, can possibly become decisive while defining Russia's foreign policy strategy on China, including the sphere of further cooperation in SCO. It is sufficient to note that many Russian experts have started doubting in general the strategic advisability of increasing Russia's contacts with China, including those in SCO, since Beijing will never take Russia or the states of Central Asia, i.e. its partners in SCO, seriously in visible future<sup>14</sup>.

Many Russian researchers, such as S. Luzyanin, link Russia's fears on account of the activation of Chinese politics in Central Asian countries with the increase in the Russian-Chinese competition for transport and power markets and corridors<sup>15</sup>.

Similar opinion about the future conflict between China and Russia on account of rivalry is expressed also by the Kazakh expert M. Laumulin: "China is demonstrating an active, aggressive nature of its vision of the future of Central Asia. Such a strategy is bound to lead in future to sharpening of Chinese-Russian relations and can lead to the change of the format from cooperation to rivalry for the right to be the main active power in the region"<sup>16</sup>.

Western experts also mention the change noticed in the foreign policy priorities of the Russian leadership. Thus, according to the experts of The Heritage Foundation, starting from 2004 the highest Russian officials have been emphasizing Moscow's negative attitude towards China's military presence in Central Asia and have been speaking out more and more often against the increasing Chinese strategic

<sup>11</sup> A. Dugin. Simple Formula of Russian-Chinese Relations / Amurskaya Pravda - April 20, 2006 - No.70.

<sup>12</sup> A. Dugin. Simple Formula of Russian-Chinese Relations / Amurskaya Pravda - April 20, 2006 - No.70.

<sup>13</sup> A. Rodriguez /Chicago Tribune. - 28 September 2006. Received on 15 November 2006 at <http://www.inosmi.ru/stories/06/05/02/3479/230144.html>.

<sup>14</sup> B. Sultanov. Russia and SCO. A view from Kazakhstan // Collection of Materials of the International Conference "SCO and Problems of Security in Central Asia", Almaty, 5th October 2005. Received on 1 November 2006 at <http://www.kisi.kz/site.html?id=1923>.

<sup>15</sup> S. Luzyanin. Priorities of Russia and China within the framework of Shanghai Cooperation Organization (SCO) do not Coincide. March 29, 2005. Received on 1 November 2006 at <http://www.analitika.org/article.php?story=20050329051500494>.

<sup>16</sup> M. Laumulin. Geopolitical Situation of Central Asia Today (2005-2006) /Materials of the IV Annual Almaty Conference on "Concepts and Approaches to Regional Security: Experience, Problems and Perspectives of Interaction in Central Asia". KISI under the President of Kazakhstan Republic. - Almaty, June 7, 2006, - p. 122.

<sup>8</sup> S. Luzyanin. Priorities of Russia and China within the framework of Shanghai Cooperation Organization (SCO) do not Coincide. March 29, 2005. Received on 1 November 2006 at <http://www.analitika.org/article.php?story=20050329051500494>.

<sup>9</sup> S. Luzyanin. Priorities of Russia and China within the framework of Shanghai Cooperation Organization (SCO) do not Coincide. March 29, 2005. Received on 1 November 2006 at <http://www.analitika.org/article.php?story=20050329051500494>.

<sup>10</sup> A. Dugin. Chinese Investments Need Geopolitical Analysis by Experts. - October 20, 2006. Received on 30 October 2006 at [http://www.opec.ru/comment\\_doc.asp?d\\_no=61811](http://www.opec.ru/comment_doc.asp?d_no=61811).

role<sup>17</sup>. In this connection a whole series of publications on the theme of Chinese threat to Russia has appeared in the Western Publications as well<sup>18</sup>.

It is not a matter of chance that in Russia itself the criticism of the close cooperation of the border regions of the country with China has become much more frequent. One can say that the anti-Chinese call in Russia is increasingly becoming a part of the politics during the period of elections to local executive and legislative body of power in a number of districts of the country bordering with China.

In this respect one can make the following conclusion. The evidence of Russia's weakness in comparing with China is an obvious. However the idea of Russia's dominance over China still exists in the mind of Russian elite. It is very clear for many, but in spite of this no one is ready to admit this fact, since the unpredictable, but strong enough as China, the image of Russia in demand both in Russia and world. For the authorities of China it gives opportunity to sustain the hegemonistic and revanchist aspirations of Moscow which allows Beijing to counteract against USA's influence in Central Asia. For the political elite of USA and Western countries it gives the ground for further involvement in Central Asia as well as in post-soviet countries and justifies the necessity of implementing Washington's active policy in this region.

In this situation the only exception is due to the perception of Russia's people cause the most of them still strongly believe on negative role of China. It is expected that this sooner or later will have an impact on Russia foreign policy priorities.

**SCO and further political developments in Central Asia: Implications on Central Asia.** Practically all the Central Asian countries (and even neutral Turkmenistan) look at the geopolitical game around the region in two ways. On the one hand, each country of the region recognizes the helplessness of the situation when the region, rich in natural resources, unavoidably becomes object of constant attention of the international centers of power - USA, Russia and China. In this situation they have no other choice but to occupy a position equidistant from the main centers of power who are actively involved at present in the geopolitical processes in the region. Accordingly, practically all the countries of the region are adopting a similar policy which can be characterized on the whole as intermediate or interim policy, aimed at the resolution of short-term and medium-term tasks. Moreover, the current i.e. short-term vector of direction of the development of their foreign policy will depend upon the position and politics of USA, Russia and China in the region. Therefore, one doesn't have to talk about any influence of the regional internal political processes on the foreign policy of the Central Asian countries. On the contrary, any change in the configuration in the region is a response of the Central Asian countries to the dynamics of

change in the politics of the external players in the region. Here, the main role is played by the evolution of bilateral relationships between the Central Asian countries and the external actors - USA, Russia and China.

On the other hand, the Central Asian countries have taken a rather comfortable stand of "wait and see" at the present moment, looking at these external players from the point of view of correspondence of their politics to the long-term national interests of the countries of the region. In this respect, naturally, one needs time to determine the potential and possibilities, tactics and strategy of USA, Russia and China who are actively claiming the wealth and future development of the region. I can dare to affirm that in the fraternity of experts of Central Asian countries for quite a long time there exists an opinion that it is high time for USA, Russia and China to listen to the opinion of the Central Asian countries themselves before drawing up a geopolitical apportionment convenient for them (external powers). And it must be admitted that various experts and governments of the Central Asian countries are actively working out an alternative vision of region's future, or rather a vision of its possible cooperation with the external world. The opinions, of course, differ on this issue, yet the common character of interests has been developed. The common nature of interests of Central Asia consists of the following approaches, namely:

- None of the super powers, conducting active struggle with its competitors and striving to strengthen its position in the Central Asia at the cost of any harm to individual interests of Kazakhstan, Uzbekistan, Kyrgyzstan, Tajikistan or Turkmenistan, will have a long-term success in the region in future. As is well known, if necessary measures are not taken, the contraposition of interests between USA on the one hand and Russia and China on the other, will only promote active expansion of the influence of external forces in the region. Such a situation, obviously, cannot remain outside the attention of the countries of the region since the fight is not in their own long-term national priorities. Therefore, sooner or later change in direction away from USA, Russia and China will be observed and it will strengthen, because in this respect it is much more advantageous for countries of the region today to attract to the region an alternative direction of European Union - Japan. It is these countries - and not USA, Russia and China - that are interested in implementing the entry of the countries of the region into the global market with more secure, from the point of view of geopolitical risks, opportunities. Therefore, sooner or later USA, Russia and China will have to take this into account and amend their policies. Central Asia hasn't still expressed its view. It is waiting for a more pragmatic and reliable partner.

- In the sphere of ensuring security, territorial integrity and sovereignty Russia will continue to be the undoubted preference for the Central Asian countries. Russia was, and continues to be a strategic partner of the countries of the Region with whom the governments, as well as the people have been linked through ancient and strong political, economic, cultural and historical bonds. However, Moscow has to understand that in future good-neighborly and strategic relations between these countries and Russia will depend on whether or not Russia is able to build its relations with these new sovereign states on an equal and worthy footing. Here, any possible manifestations of negative foreign policy tendencies in Russia expressed in the form growth of hegemonistic or revanchist aspirations, will lower Moscow's influence in the region. And if Moscow is able to form an

<sup>17</sup> A. Koen. Dragon is looking at the West: China and the Shanghai Cooperation Organization. The Heritage Foundation. Received on 2 November 2006 at <http://www.analitika.org/article.php?story=20060929221726486>.

<sup>18</sup> See For Example: 1. B. Lintner. The Chinese are coming ... to Russia /Asia Times. - May 27, 2006. Received on 14 November 2006 at [http://www.atimes.com/atimes/Central\\_Asia/HE27Ag01.html](http://www.atimes.com/atimes/Central_Asia/HE27Ag01.html). 2. K. Holm. Chinesen Kolonisieren Russen /Frankfurter Allgemeine Zeitung. - 28 March 2006. Received on 15 November 2006 at <http://www.inosmi.ru/print/226428.html>. 3. M. Connolly. China's Burgeoning Population Is Cause for Russian Concern /The Wall Street Journal. - 14 November 2006. Received on 15 November 2006 at <http://www.inosmi.ru/stories/06/05/02/3479/231042.html>.

integral and consistent policy in the spirit of equitable partnership relations with the Central Asian countries, then there is no question of any increase of the influence of West or China in the region. West is too far and China is too near to risk the future of the whole region. All this rhetoric about the prospects and necessity of further development of SCO is only a phantom in which China very much wants to believe and West is very afraid of.

The logic of all the latest initiatives and proposals within the framework of China's cooperation with the Central Asian countries in the fields of energy, finance and economy indicates that China's geopolitical interests are behind all such moves. Here, the level of China's cooperation continues to vary. While it is too early to talk of the dependence of Turkmenistan and Uzbekistan on the fast growing Chinese economy, faced with the China's fast growing geopolitical expansionist policy Kyrgyzstan is today certainly the most vulnerable economy in the region.

In other words, economic interaction and integration of the Central Asian market with the Chinese market is an important component of Beijing's long-term strategy vis-a-vis the Central Asian countries. The fast increasing cooperation between them and Central Asia in the fields of energy and

economy is cardinally changing the geopolitical situation in the region in favour of increased Chinese influence. The reason that a common market is being formed between China and the Central Asia is the result of the China's active, massive and consistent politico-economic policy along with Russia's weak involvement in Central Asia. As a result, one can see today how some regions of Kazakhstan, Kyrgyzstan and Tajikistan, and even Russia, bordering China, are experiencing economic dependence on the Chinese market and are getting integrated with it. The day is not far when whole regions will see China as the centre of economic activity. Moreover, China is undertaking similar active economic expansion in the border regions of Russia-Siberia and the littoral area.

It is important to note that in analysing security issues in Central Asia, China sees comprehensiveness – *quan mian hua* – as the defining feature. Essentially, this means that the economic, military and political dimensions are all regarded as vital<sup>19</sup>.

Therefore, today the Central Asian countries have to be cautious of the possibility of implementation of Chinese plans of expansion and growth of cooperation between the SCO countries in the field of economy and energy and of creating a unified market in this region.

<sup>19</sup> Russell Ong. China's Security Interests in Central Asia //Central Asia Survey (December 2005), 24 (№ 4). – P. 425.

# Political Communication Within the Modernization Context of the Public Administration of the Republic of Kazakhstan

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**A**mong the main specific concepts, which content needs to be taken into consideration during studies of political elite influence on the process of modernization of the public administration, the concept of "political communication" should be outlined.

The most important statements of the modern social communications theory could be summarized as follows:

A. Communication is a primary social process of co-creation, maintaining and transforming social realities [1]. Communication within the narrow meaning of contact is not only the fulcrum. The Communication is a process of forming. In the most fundamental meaning, communication is a human condition, the manner of human existence, basic and primary social process in which we, its unavoidable participants altogether create, reproduce and transform our social worlds, the quality of our existence.

B. Communication is not just the information exchange process; it is the process of creation of some commonness, in which we apprehend the information and then correlate our understandings with ones of our communicative partners, thus creating a certain degree of mutual understanding. It is not only self-expression together with transmission-receipt of the already formed meanings, but the creation of common meaning. The meanings are the constantly changing structures, "values in the running" «always-in-process phenomena» [2]. The problem of generation of the meanings during the communication process is key to the theorists of that school («Generation of meaning: how social meanings are created» [2]).

C. Communicative processes run and acquire this or that meaning within a certain context only. One and the same conversation could be understood by us in different ways, and be invested with different meanings depending on whether we view it in a context of a definite communicative episode (where, when, with who, under which circumstances we initiate a conversation); or in a relative context (who we are to each other during a conversation: friends, colleague, rivals); or in a context of different cultures and cultural relations

(e.g., relations of genders, age groups, social and economical, professional relationships, etc.) with culture being the most common context («The role of context in communication, culture being as the widest context»)[3; 4].

D. Communication is a process in which an individual constructs his or her social reality (or realities) as well as his own "Identity" («Identity as a social, culturally constructed view of the self» [4]). At that the representatives of the social approaches to communication view the perception of self not as a fixed internal formation, but as social cultural construct modified constantly depending on who and how an individual comes into a contact. Among different people, within this or that section of society an individual can have different self-perceptions being the reflections of judgments of those around him.

E. Communication is a process of creation of common meanings by way of using symbols, with language playing the primary role («Symbolic nature of communication»)[3; 4; 5].

In other words, the "social approach" views communication as:

- condition of the human being, the manner of the human existence;
- collective creation of meaning, a process of forming;
- a process, during which an individual is constructing his or her social reality (or realities) together with his or her own "Ego", which is changing constantly depending on who and how he or she comes into contact;
- a process of creation of common meanings by using symbols, with the primary role of language;
- a process that runs and acquires this or that meaning only within a definite context; culture being the most general context of communication;
- ontological relativity being an essential basis of any process of communication.

Thus, communication:

- which is characterized by transfer from speaking of one individual to the action of another and convergence of "input" and "output" [6, c.14];

- that can be viewed as a process of signal exchange of the low energy level (organization), resulting in the exchange of high energy (organization) level signals since communication is effected in the physical space (the system of connection between the signals of different levels was called "the code"). [6, c.16];

- with ever-present code collision process;
- where meaning of the conversation often undergoes a certain filtration and distortion during the process, which completely changes its "pragmatic" function [7];
- which represents informational actions in an indefinite informational environment, which supposes a) absence of information about some objects (lack of information or complete absence of knowledge about these objects), b) the presence of incorrect information on certain objects. [6, c. 161]

- is defined by terms "creation of meaning", "constructing the social reality and own "ego", "creation of general meanings", etc.

The seeming contradiction is explained by the fact that individuals and human societies of different levels can not and do not want to receive undistorted information in the result of communication.

The larger part of information crucial for the vital activity is received by an individual from informational environment and not from reality. Various problems of the human society are often solved by changing its informational environment, which in its turn leads to the change in the reality. Humans, as a rule, act and live in the uncertainty. Every most accurate description or forecast might become inauthentic due to the dynamic changes of the environment.

The communication act results in a change of structure of informational environment. As the rule, the messages received are characterized by the following features: a) it is that which is expected to be heard, b) it is the that which is wanted to be heard [6, c.161]

Therefore, political communication is a process of necessary distortion, to a certain extent (till the complete loss of the primary meaning), of the transferred information and creation of new meanings, which happen both due to the deliberate actions of the communicators and the influence of "active" informational environment - communicative environment.

The communicative space is structured by primary and secondary communicative processes. The secondary (or post-communicative) processes are related to the information discussion and spreading, initially received through the primary process. Only primary communicative process is considered to be successful, which lasts in the secondary processes afterwards.

Under the modern conditions, politics grows to become more and more dependant on communication. The political communication is a means of realization of one of the power's basic functions - social dialogue with a society. Social conditionality and communicative nature of public administration is derived from its nature, i.e. it is a complex organizational system, functioning of which is aimed at satisfaction of citizens' demands.

The political authority is a complex informational - communicative system. In the times of information society formation, the new type of the political authority is formed, i.e. informational. Political authority having communicative nature and functioning as a means of social communication, realizes its functions by means of political communication. Concurrence of political authorities' and media codes allows

forming constructive public opinion; its proper use allows achievement of a positive image of the government.

The communicative codes provide the notion selectivity of social and political practices that contribute to the growth of legitimacy level of political communication space.

Under conditions of political communication space changes and chaotic interlacing of informational - communicative streams leading to a depreciation of communication mechanisms between government and arising civil society, one can observe discrepancy of political authority, media and social codes.

The formation of such non-conceptual stream turns the system of the public administration into an uncontrolled owner of public information, and therefore, also into a non-alternative source of projecting of the political future of a country.

Public administration with its communicative nature, in relation to a society performs the function of "frame authenticity" legitimating.

Therefore, stability of political and social systems as well as social efficiency of public administration depends on quality of political communication space.

The primary element of the public administration system is the institute of public service determining the efficiency of communicative discourse within the "society - media - government" system.

One has to take into account that social development represents the process of the social self-organization, which is realized in the form of interaction of social order and social chaos[8].

Society expostulates with entropy, and it always has two opposite trends to order and disorder.

The stable social system copes with arising problems due to its adoptive abilities which are realized by administration mechanism.

Metastable development is accompanied by various changes.

New problems can demand reorganization of the social macrostructure to give constructive answer to a challenge of an era. If the social fluctuations do not reach threshold value the way back is still possible.

If changes are accumulated and the parameters of the social system acquire critical values, the crisis breaks out and habitual models, as a rule, entail the effect of boomerang.

Under this condition, society dysfunctionality increases, and its return to a stable condition becomes quite a problem.

Disorganization of the society goes up repeatedly and alternatives to solve this crisis open in front of it. The degree of predictability of the social system behavior decreases significantly, which, in turn, hampers the actions of politicians and reformers who are to choose a new strategy. Under the conditions of rising social chaos the society strives to reform some subsystems to provide the stable functioning and productive development.

A reform of one subsystem does not transform social system in a whole.

The latter preserves its integral property. However, if reformation engulfs the majority of the subsystems, the social system is likely to lose its mechanisms and regularities. The society is under the risk of losing its stability, and moreover, its reforming might lead to a disaster. The society becomes extremely unstable giving a rise to a conflict between the old institutional structure and new social ideals, values and interests, which grows only deeper with time.

Non-linear effects are on the rise, historical alternatives are appearing in such period of bifurcation.

The key role in this synergetic process is played by knowledge, information and mythology.

According to M. Kastels, "new political authority is in informational codes and representative images, which serve as the basis for society's institutional organization and people's building of their lives and taking decisions regarding their acts.

People's minds become the power centers. Irrespective of who becomes a winner in the battle for the people's minds, he shall rule the world, as in the visible future no huge, awkward mechanisms would be able to compete with the minds relying on the power of flexible multi-version networks" [9].

Synergy allows to take a new look at transformational risks and crisis society management.

It has to be adequate to the non-linear nature of social processes and to the criterion of anticipatory prevention of the potential risks.

Whereas, with the synergetic approach political elite could be viewed as a self-organizing social system,

- consisting of separate "group of interests" in the constant competitive interaction,
- taking the society for "inimical environment threatening their interests";

- so the modernization of political administration in the interests of the society in whole could only be feasible with the charismatic leader able to stand above the interests of the group of interests of political elite that has nominated him, taking political communications under his control and consolidating wide masses of population.

The processes of political reforms in developing and consolidating a democracy in any democratic country or a country that has just stepped on its way to democracy are objective and natural. Since it is impossible to create momentarily a political ideal called democracy, as showed by the international practice of democratic states' formation.

The democracy formation requires a gradual evolutionary political changes and development both of a country and a society in general.

However, few doubt the fact that liberal reforms of the Kazakhstani economy effected in the initial years of its independent development lead to the country's present social and economical growth.

One might confidently state that Kazakhstan's contemporary development phase allows all necessary prerequisites: political, social, economical, cultural, spiritual, etc. that political system's democratization turned out to be a success.

Judging by results of economical and social reforms in Republic of Kazakhstan, the country holds leadership among the CIS countries, let alone Central Asian states.

Going to a more generalized theoretical level of consideration of the problem associated with the administrative reform, one should outline that dichotomy model of the policy – administration is based on the idea of democratic control and the rule of justice principle.

In accordance with this idea, a political course has to be determined by democratically elected officials (presidents, members of parliament, etc.) and managed by public servants.

Separation of these two branches shall diminish the corruption occurrence and shall increase efficiency of such branches, which can be greatly affected by the excessive involvement of the politicians in the details of administration

mechanism. [10, c.6] Therefore, political science highlights two functions of the Government determined as function of politics and function of administration.

The former is associated with the development of a political course or implementation of state will and societal expectations. The latter is associated with realization of such political course.

March 2007, the Government submitted a proposal on fundamental reformation of the public authority system of the Republic of Kazakhstan.

The suggested scheme was based on successful experiences of effective administrative reforms implemented in the US (1992-2000), Germany (upon unification), New Zealand (1984-1990), Poland (1989-1999), Czech Republic (1990-2000), Malaysia (the 80s - up to now).

One can suggest that designers of the reforms used Australian and Canadian experiences most actively. Meanwhile, the developed scheme, though based on the international experience, has no completely identical analogs.

The new status of ministries and akimats is based on the delimitation of authorities of the political and administrative functions, and on the introduction of corporate administration principles, providing a leader with the opportunity to focus on the problems of the policy development, development and accepting of a strategic plan of public agency, relieving a leader from the routine related to the realization of the program documents.

In accordance to the proposed scheme, public agencies shall have the following "chain" structure: Prime Minister – PM Deputy – PM and Deputy support service department – Councils of the PM Deputy and the PM Councils – Minister – Oblast Akim, Astana and Almaty Akims – District Akim-County Akim, Village Akim.

Everywhere, with the exception of the last link, the principle of corporate administration shall be introduced.

The ministries are supposed to be introduced to the distinct delimitation of authorities between Minister, Board of Directors, Internal Control Dept, Board of Councils, Minister's support service, and General Director.

Positions of Vice-Ministers are eliminated; a Minister will head the Board of Directors consisting of President's Administration Representative, Ministry's General Director, Head of Internal Control Department and independent Directors.

Authorities of the Board of Directors will include the approval of the payment fund of the Minister, General Director and his/her Deputies, co-ordination of the strategic plan of the public agency, its development programs, annual plan, its structure and staff quantity, financing plan and financial statements.

Since positions of a Minister or an Akim are political ones, it is supposed that they would make political decisions, develop and approve strategic documents. All the administrative work including execution of Minister's orders is entrusted to a General Director appointed by the President of the state.

Development of programs and plans subject to execution, as well as program documents approved by a Minister, determination of the structure and staff quantity of a public agency within the limits of the fund of payment for Ministry's work, are among the General Director's authorities.

The relationships of Minister, Akim and General Director shall be regulated by the contract containing obligations of a General Director, who shall be responsible for the specific positions of an industry. A Minister is entitled to raise with

the President an issue of General Director's resignation due to his or her failure to perform specific obligations pursuant to an Agreement.

The same scheme is planned to be applied in Akimats, with one little exception that instead of the President Administration's Representative the membership of Akimats' Board of Directors of a City of Oblast or District levels shall be granted to an Oblast Akim's Office Representative.

The Government understands that the administrative reform needs to be introduced step-by-step, starting with a pilot project. In Poland and Czech Republic, with wide financial support on the part of the European Union, preparation to and execution of the administrative reform has taken up around 10 years; in the US the reform has taken up two presidential terms of B. Clinton (1992-2000).

Making new system work properly takes time and requires active support of various society groups.

The project of administrative reform has been accepted ambiguously by the various representatives of political elite.

The idea of the public administration system reform became a major subject of discussion with politicians, political scientists, and analysts during the international conference "Reforms of Public Administration as a Factor of Political

Modernization of Kazakhstan" organized with the joint efforts of the Central Asian Foundation for Democracy and Friedrich Ebert Foundation.

Nevertheless, it is worth noting that administrative reform proposed by the Government of the RK may be far from ideal.

At the same time, despite the massive critical attacks, however justifiable they might be, the very fact of its public presentation and discussion is a giant leap to the democratization of the Kazakhstani society.

Along with the development of the social – political system in general, the system of elites as well as the configuration of elite groups will be modernized and grow more and more complicated. The modern Kazakhstan elite has to demonstrate its readiness to modernize during the process of political, economical and other reforms proving this at every stage of societal development, re-establishing itself in accordance with the tasks and demands of the present, using open and legitimate ways of political elite recruiting.

Only such elite will be able establish stable political system.

In our opinion, the formation of the open model of public administration of the Republic of Kazakhstan will mainly depend on its political elite.

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# The Tradition and Specifics of Gender Issues in Uzbekistan

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**T**he process of transformation has a significant impact on the socio-political life of the Central Asian population. The period of transformation and the socioeconomic crisis have resulted in a decrease in the living standards of people, social polarisation and the inequality of possibilities, which increases social alienation in terms of property and gender.

*Gender equality as a millennium development goal.*

There are several reasons why various aspects of gender inequality that are not related to biological differences or conscientious selection are becoming topical in many countries. The manifestation of gender inequality reduces the efficiency of an economic system and hampers the socio-political development of a country and its fight against poverty, especially among women, because gender discrimination, which is quite a widespread form of discrimination, reduces women's chances of tearing apart the vicious circle. That is precisely why the achievement of gender equality is a key millennium development goal.

The Millennium Declaration – an agreement to advance a global vision to improve the conditions of people all over the world in the spheres of fighting poverty, establishing peace and security, the environmental protection, human rights and democracy – was adopted at the Millennium Summit in September 2000, where leaders from 191 countries met – was the biggest meeting of world leaders in history. Eight key obligations stipulated in the Millennium Declaration resulted in the Millennium Development Goals, the third of which aims to achieve equality between men and women and expand the rights of and possibilities for women. These goals set specific quantitative targets of development which should be achieved by the world's population by 2015.

However, it is important to understand that the gender topic should not be reduced to the unequal state of women. It is a far wider issue: in countries with transitional economies the life expectancy of men fell significantly, whereas the share of young men who stopped their education at a secondary level increased. Greater exposure to alcohol and drugs abuse poses the threat of reducing men's social responsibility.

Uzbekistan, like other Central Asian countries, ratified the UN Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) in 1995. One of the convention's articles says: "States Parties shall take all appropriate measures to modify the social and cultural patterns of conduct of men and women, with a view to achieving the elimination of prejudices and customary and all other practices which are based on the idea of the inferiority or the superiority of either of the sexes or on stereotyped roles for men and women" (Part I, Article 5, Paragraph a).

A separate decree (on increasing the role of women in the state and public systems in Uzbekistan) by Uzbek President Islam Karimov created a post of deputy prime minister for women's affairs.

Similar posts of deputy *khokims* (heads of local administration) were set up in all the government structures in the country. The Uzbek president's decree *On Additional Measures to Support the Activities of the Women's Committee of Uzbekistan* adopted on 25 May 2004 was the first decree's logical continuation and opened up new possibilities for boosting the activities of women.

Uzbek women, M Ergasheva believes, are brought up in a way that they see their role in family wellbeing and an unending family hearth, even if it means the deprivation of all the other pleasures and social possibilities. That is why in order to turn a woman from an object of social protection into an active personality it is necessary to create conditions for inculcating into women themselves a new world outlook and aspiration to social activity and expanding their economic possibilities [1]. The author went on: "... until recently gender equality had not practically been taken into account while drafting numerous programmes, including state ones" [2].

*Women on the labour market*

The analysis of national trends shows that women's involvement in public life has decreased and unemployment among women has increased. Women who were searching for jobs accounted for 47.6% of the total number of jobless in 2000 and 62.1% in early 2001[3]. At the same time, it should be noted that there is "uninstitutionalised unemployment among women" in Uzbekistan, i.e. existing unemployment which is unregistered and estimated regardless of the procedure of registration of jobless with employment bodies and this shows various development factors influencing their evolution [4].

Uzbek women occupy leading positions in a number of non-production sectors of the country's economy: women account for 75.6% of the total number of workers in the health and social protection sphere, 72.5% in education, culture and arts, 47.5% in finances, credit and insurance and so on [5].

The conference "The Role of Women Scientists in the Socioeconomic Life of the Republic of Uzbekistan" was held on 25 May 2001 under the Civil Forum project. The Ijtimoiy Fikr polling company carried out an opinion poll among the conference's 175 participants who had scientific degrees.

The results of the poll made it possible to identify those spheres of science where the women polled worked and group them in terms of their scientific spheres: 35% natural sciences (mathematics, cybernetics, programming, biol-

ogy, biotechnology, physics and chemistry), 10% technical sciences, 4.5% medical sciences, 3.55% social sciences (economics, law, pedagogy and psychology) and 15.5% humanities (history, political science, philosophy and philology) [6].

Respondents said that the social status of women scientists had increased significantly.

Table 1

	Increased	Not changed	Decreased
Men scientists	34.7	40.0	25.3
Women scientists	61.3	13.4	25.3

Source: *Uzbekistan's women. Issue 1. Woman Scientist in the Socio-economic Life of the Republic of Uzbekistan. The results of the express opinion poll. Tashkent 2002 page 48 line 37.*

However, the analysis of regional employment in Uzbekistan showed some disproportion. For example, in Fergana Region the percentage of women in workforce was 57.3% in 1994, whereas it did not exceed 31.9% in Jizak Region [7].

The analysis of the quality and nature of female labour based on statistical data obtained in the 1990s [8] points to the concealment of social problems, which existed then, that female labour had been mainly used in low- or nonqualified jobs. For example, of the 688,400 women working in crop farming 98% did manual jobs, and this figure was 42.5% in industry. The share of men who did manual jobs in industry in general was 57.3%, whereas among women it was 68.9%. Moreover, in terms of the environmental state of enterprises women were working in the worst conditions. In industry about 18% of women did evening or night shifts and over 30% worked in unfavourable working conditions. In the textile sector where 80% of workers were women, environmentalists registered the highest level of labour's intensity, gas pollution, dust and noise effects, humidity and other consequences of imperfection of technological processes which had a significant impact on the psycho-physical state of women working in this sector.

The following results were obtained from an opinion poll, conducted by M Sukhomlina in Fergana Region (based on representative sampling at five industrial enterprises in Fergana: Istiklol ShKhF, Buyuk Ipak Yuli ShMF, Ferganaobuv production association, PTF, Textile Combine and Tekhnokan plant).

The sociological analysis of the nature and working conditions of women working in the industrial sector in Fergana made it possible to assess the level of heaviness of labour. For example, 25.6% of women working at privatised enterprises assessed their jobs as heavy, boring, tiresome and monotonous and 11% assessed them as average; 26.4% described their jobs as not hard but with heavy physical load and 30.3% as not hard but with average physical load. These average indicators characterised low-qualified women who assessed their labour mainly as not hard but, at the same time, not prestigious. The high level of exhaustion after work was also registered. In general, the trend of a certain phenomenon emerged in the moods of working women which can be defined as "average-ness" was observed. To the question "If you had a chance, would you change your work?" women respondents answered: *yes 39.4%, no 45.4% and hard to answer 15.1%* [9].

As a result, we can note that a special labour market is being created which is characterised by low qualifications

and, consequently, wages, the level of employment and demand in the market, a limited set of professions and poor working conditions. The inappropriate demand for women in the market and the low incomes of families are becoming the main factors for some of women labour transferring to the shade economy. The main types of jobs in it are small-scale trade, keeping house, making clothes and food processing at small enterprises.

In 1999, the Ijtimoiy Fikr conducted an opinion poll among Uzbek women (1,040 women) to study their opinions about their potential skills and possibilities in education, employment, rights, politics and values in the market economy. The results of this poll established women's interest in socio-political life. The overwhelming majority of women (89.5%) believed that it was important for them to be aware of all the socio-political events. However, politics has been a traditional occupation for men. Nevertheless, 61.4% of respondents were confident in women's abilities to get involved in politics equally with men. However, respondents said, only 32.4% of women could employ these skills [10].

The main reasons, respondents said, for preventing Uzbek women from getting involved in politics equally with men were:

1. Stereotypes established about women's role in family and society – 73.3%;
2. Specifics of women's psychology 9.7%;
3. Lack of education 5.4%.

Unfortunately, in Uzbekistan, according to the results of the opinion poll, only 26.6% of female voters and 19.1% male voters intended to vote for "women" in the election to the Oliy Majlis [11].

All this shows the strength of firm stereotypes because of which the professional segregation of women takes place as early as at the education level. Research conducted by gender specialist D Alimjanova showed that these stereotypes had been developed back in school: out of 56 professions mentioned in primary school textbooks only nine were mentioned in relations to women. These are mainly nurses, teacher, seamstresses, field harvesters and housewives [12].

Uzbek sociologists believe that the current mentality of the Uzbek people often prefers to see a woman as a housewife if her family is well-off or working part-time because she has to run her household and bring up children. This situation, obviously, is linked to, above all, a large number of children in Uzbek families. For example, in 1995 the average size of households in the country was 5.4 people, including 5.3 in Fergana Region, 5.7 in Andijan Region and 5.9 in Namangan Region. Out of the total number of households, official statistics described 58.7% of families as families with many children – with five children or more.

According to figures in 1995, the percentage of women involved in the country's economy reached 45.9%, including 57.3% in Fergana Region, 48.7% in Andijan Region and 45.1% in Namangan Region. This accounted for 95.3% of male employment. This means that an en-masse drain of female workforce would have created acute shortages of specialists and a sharp fall in family income [13].

The status of women on the labour market is defined by both socioeconomic and demographic factors. Despite the fact that the average birth rate fell, the average size of households still remains quite large in Uzbekistan. According to independent research, in rural areas 31% of all households are made up of six to seven people and 11% nine people and more. According to estimates, there are currently 136 children under 15 per 100 women of reproductive age on average and 152 children in rural areas.

Since the mid-1990s the number of children in pre-school establishments fell by 28% in towns and almost 50% in rural areas. This means that women transferred from paid employment to running households because they are the main carers of children in families. At the same time, they lost their qualifications and professional skills.

Many women, trying to improve the material wellbeing of their families, are becoming active players on the labour market, registering themselves with employment bodies as job hunters. According to official information, women account for 46-47% of the total number of people registered as job hunters, 43-44% of those with jobs and 58-60% of official unemployed. These figures clearly show that there is not enough demand for female labour in the situation of growing competition and shortages of jobs [14].

Not least is the alarming trend that is the evasion of state registration of marriages because all the legal rights concerning women and their land should come from registering marriages and registering land. For example, in 2001 only 15% of women against 85% of men had access to loans and micro-loans in the country [15].

Female farmers are deprived of efficient government support. They have to borrow money from their relatives, trying to organise their production with higher risks. Loan subsidies in many cases are accessible only to men, for example, those for private milk farms. In addition, the involvement of government officials in business operations prevents women from being active.

The problem is not only that in the agrarian sector women are being driven out from the official labour market but also that the existing large-scale attraction of women to agricultural work bears a stable seasonal nature. As a result, M Ergasheva believes, the social status of women, which was already low, fell even further: even being formally employed in agricultural production women mainly do very labour-intensive and low-paid jobs (processing fields and picking cotton, looking after cows and milking them, growing silkworms and so on) [16].

#### *The institutions of mahalla and women.*

A specific feature of the Uzbek traditional social system is the institution of *mahalla* (neighbourhood). Neighbourhood community as a form of organising public life of a separate residential area originated in old times. It had several names such as *mahalla*, *jamo'a* and *guzar*, and it is not just a territorial unit but also an administrative one – the most primary cell of urban or rural society [17].

In order to cut administrative expenses the country decided to transfer some of the burden to mahallas. The peculiarity of the Mahalla social assistance system is the use of mahalla committees to fulfil social assistance programmes (since 1994) for managing and distributing children's allowances (until the age of 16) (since 1997). Mahalla committees fulfil a wide range of official (managing social assistance) and unofficial (organising weddings and solving disputes) functions. According to the Labour Ministry, there are about 7,000 mahallas in the country, which group from 150 to 1,500 families. The salaries of mahalla chairmen and secretaries come from local budgets. A mahalla elects its chairman from candidates approved by a head of district [18].

In 1999 Uzbekistan adopted the law *On Bodies of Citizens' Self-Government* (in a new wording), which defined a set of tasks for the mahalla. In addition to the functions which were specified above, the mahalla was given new ones: protecting the interests of family and women, caring after the elderly, social support for mahalla members, ensuring public order, preventing youth crime, controlling shops and services enterprises, ensuring sanitary

and environmental protection of the territory and so on. Z. Arifkhanova noted justly that the extreme expansion of tasks often formalised the activities of mahalla committees and distracted them from their main traditional functions [19].

Mahalla plays a great role in women's life and represents (both in towns and rural areas) a form of a traditional neighbourhood community that transformed and adapted to modern socioeconomic conditions. The history of mahalla goes back to a large family community which ran a household economy for centuries. This institution is unique in terms of regulating all the aspects of public and private lives of people on its territory and is the basis of social protection in Uzbekistan. In addition to the mahalla's positive influence on the life of community in terms of preserving national values, spiritual cultural values, moral principles, assistance to the needy, organising public works on planting trees and landscaping and so on and transferring them to young generations, the mahalla also imposes some burdensome customs and traditions.

V I Bushkov noted that the preservation of traditional institutions was the result of "the failure of individual consciousness to replace collectivistic consciousness" until now and a human life being defined by "the will and decisions of family and community structures" rather than by an individual will [20].

Any violation of the rules in the mahalla prompted public condemnation and the house of the violator being ignored. Mahalla opinion makers are still controlling the education of young people and the channels of presenting information and closely follow the behaviour of women – from girls to elderly women [21]. To the question "Do mahalla or your neighbours have any kind of impact on your behaviour or lifestyle?" respondents answered:

Yes, quite significantly 22.6%;

Yes, often 25.3%;

No 49.3%.

According to the results of this opinion poll, one woman in two admitted the role of the mahalla in her life and the life of her family to some extent [22].

Traditions have always caused controversy. Part of society believes that observing traditions is the greatest deed to preserve national identity and so on, whereas others believe it is a form of regression, reproducing mediaeval social and economic relations. Indeed, strengthening traditionalism in the transitional period can become an obstacle because in the process of restructuring the economy and living standards falling, this may lead to a denominational segregation of certain parts of the population. The growth of traditionalism hinders the penetration of external influence which aims to modernise the socioeconomic and spiritual structures of society.

Marfua Tokhtakhojayeva noted that the apologetics of the past was necessary for traditionalism to strengthen women's inequality in family and the adoption of polygamy for fulfilling the aim of closing women from public life. This situation makes it possible for some media outlets to make direct insults to women's dignity and the authors of these articles do not receive an appropriate rebuff in society. To back up his arguments Ms Tokhtakhojayeva provided several excerpts from articles published by the Hurriyat independent newspaper's issues Nos 127-128 in 1999.

"Women exert pressure on men one way, to express their anger they choose other methods: they make a suicide attempt... that is why the actual death in these cases three or four times lower among women than men. Only one attempt in 10 ends in death."

"Women are liars by nature (force characterises men, cunning characterises women). Despite this, they manage to win trust. People prefer to deal with men because natural deceitfulness does not help women become real leaders."

"Thus, it is clear that women can produce no great leader and that is why someone who wants to bring up a girl as a socially-useful creature makes a huge mistake. Women have another fate and another great aim – give birth and bring up children, nothing else will women be able to do better than men. She is the mother of the great ones of the earth!" [23] No comment is appropriate here.

This attitude to women causes just indignation among Uzbek educated women. It is hard to imagine the acuteness of this problem. The abundance of rituals and customs is a burden for the family's wellbeing and the physical and moral health of the woman. They demand enormous expenses, increase women's unpaid labour systematically, take up women's time and strengths on unproductive pastime, stealing them from bringing up children, self-development and self-realisation. The traditional forms of women's socialising program women's life from marriage to death, and attempts to get out of this program often turn into the ostracism of the woman herself and her family in the mahalla [24].

In the life of a traditional community the ritual sphere has a special meaning. Any significant stage in an individual's life in the community is celebrated by corresponding rituals. Involvement in the ritual life was and remains mandatory for all adults. On the observance of rituals in the late-mediaeval Bukhara, ethnographer O Sukhareva wrote: "... involvement in feasts and parties ... was considered as a holy right and obligation of every resident of the neighbourhood. It was impossible not to attend – it meant to insult the host... the power of traditions is so that even when it is burdensome no-one can avoid them without risking their reputations" [25].

This is very topical in modern Uzbekistan too. D Abdurazakova described the gender burden of traditions this way: "In large households the survival strategy forces women to make contribution to public life in addition to numerous functions they fulfil in the family. The point is in providing services, including cooking great volumes of food for huge wedding parties, funerals and other traditional rituals. These take up both time and women's income, leaving no time for self-improvement, personal development or rest. It is especially a heavy burden for women living in rural areas because of the lack of comforts (gas, clean drinking water, quality medical services and so on) and economic possibilities, and the role of conservative views" [26]. At the same time, S Khusanova noted: "... rituals and traditions declared as the spiritual values of the people which increase morals and culture turns into an unaffordable material burden. However, women themselves could agree on protecting family from various extreme material expenses during fulfilling rituals and move the centre of gravity of social life to another less burdensome sphere of spiritual life, if they showed solidarity. Women do not have enough social experience of public life in favour of society. They are hindered by their low self-estimation as personalities" [27].

The problem of suicides among women demands special attention because this problem poses a serious threat throughout the world, but it is particularly an issue in traditional societies. According to the World Health Organisation, 500,000-600,000 people commit suicides in the world every year. Suicide shares fourth-fifth place in terms of causes of death and has a growing trend. Suicidology, a multi-discipline science, studies suicides and their causes.

Most suicides among Uzbek young women and women, Uzbek sociologist N Akhmedova believes, are committed

in rural areas. One of the ethno-psychological peculiarities is the way of committing suicide – through self-immolation. This method of suicide leaves a very strong emotional impact on the people around them; it is the emphasis those committing suicide make on their position as a "victim" and settle accounts with life demonstratively. The roots of this means of committing suicide are linked to the ancient traditions people expressed through worshipping fire (Zoroastrianism).

The very low cultural level of relations between spouses and the anachronisms of patriarchal-feudal traditions often provoke Uzbek young women to commit suicide. Ms Akhmedova concluded: suicide in the form of self-immolation is a complex socio-psychological state, which emerges under the influence of psychological and social factors and has socio-psychological and ethno-psychological specifics. The cause of it is the low level of socio-cultural development, the lack of emancipation of a certain group of rural women and the low level of legal and psychological knowledge [28].

In accordance with Article 15 of the Uzbek Family Code, minimum age of entering into marriage is 18 years for men and 17 years for women. It is traditionally believed that by this age girls are ready to become mothers and assume all the duties to look after children. M Ergasheva, who is also an active member of women's movement believes: "Is this article not discriminative against women? Does it not contradict the norms of two international conventions signed by Uzbekistan: the Convention on the Elimination of All Forms of Discrimination against Women and the Convention on the Rights of the Child, which regards children under 18 as minors?" [29]

A joint project to set up a School of Women's Leadership in Uzbekistan is being considered now. The necessity of this project is prompted by the low level of women's representation in managerial posts. For example, in the highest echelons of power at the beginning of 2002 women accounted for 13.7% of the all lawmakers, 15.3% executives and 20.3% judges.

Uzbek specialists believe that this was because of:

- the attitude of society which underestimates women's leadership;
- hidden inequality in political parties and other organisations;
- the lack of knowledge about a political mechanism in the state's activity among women;
- the triple role of women (productive, reproductive and public) [30].

Relations between men and women are subject to the influence of culture, traditions and, of course, a number of other factors. The cultural heritage of each people is certainly valuable but it is wrong to use culture and the power of traditions as an instrument to curb the rights and freedom of all the members of society. That is why, we believe, it is necessary to understand cultural specifics in relation to the rights and obligations specified in the main international documents – the charter of the UN, the Convention on the Elimination of All Forms of Discrimination against Women and others.

One can agree with Ms Tokhtakhojayeva's opinion: "The woman is the symbol of a nation. Women – who are confident in their dignity, respected and self-respected, mothers of families and workers who have the possibility of leading a deserved lifestyle and the right to be different and equal – can contribute to forming a new nation together with men. And this is possible only when society gets rid of the burden of the past and disbelief and prejudices, and moves towards the future, respecting justice and the personality of each person and acquiring new values leading it ahead." [31]

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# The Russia's Energy Strategy and Central Asia

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Russia occupies third place in terms of world oil supplies: it accounts for approximately 10% of the world reserves, or 27% of the oil supplies outside OPEC. In terms of oil production, the Russian Federation is on a par with Saudi Arabia, the world leader, and in terms of oil export volumes, it is securely in second place. Russia is the absolute leader in the gas sector: it accounts for approximately one third of the world's total reserves, one quarter of world production, and approximately 30% of world export, while its main gas transportation system has no analogies in terms of length and complexity.

The unprecedented trends on the oil markets are having a decisive influence on the nature and rates of Russia's economic growth: oil and gas export is responsible for more than one third of the revenue going into the state treasury. In 2004, the Russian Federation accounted for 10.97% of the entire world oil production. According to the forecasts of the country's government, the export of Russian oil will reach 253 million tons in 2006 and 260 million in 2007.

As a major fuel and electric energy exporter, on the deliveries of which the economy of several neighboring countries largely depends, Russia has a good opportunity to strengthen its own economic and political positions.

The main feature of Russia's foreign policy lies in the fact that Moscow is using the economy (to be more precise, energy cooperation) as a powerful tool to reach its foreign policy goals. This concerns both Russia's relations with the West and with Asian countries (China and Japan). But Russia's energy strategy is making itself known to an even greater extent in relations with the CIS countries. This factor-energy policy as a geopolitical tool-directly affects the national, economic, and energy interests of the Central Asian countries.

Russia's energy geostrategy is evolving in three main areas: Western Europe, Central Asia, and the Far East. The European vector is the central one, since it is ensuring the main inflow of revenues and forms the foundation of Russia's economic relations with the EU, giving Moscow geopolitical clout and international influence.

Central Asia, as a source of transit energy resources, occupied a subordinate position in the European vector of Russia's geostrategy. But in recent years, Gazprom's activity in the region and Moscow's aggressive energy cooperation strategy have begun to turn Central Asia into a special target of Russia's energy, economic, and geopolitical expansion.

The Far Eastern (Asian) vector is relatively new to Russia's geostrategy. This vector has not yet been sufficiently developed for geographic, financial and economic, technological, and political reasons. Nevertheless, in the

future, it could occupy an independent and important place in Russia's energy strategy. It is already clear today that the Eastern vector will be a significant component of Russia's Central Asian strategy. What is more, Gazprom and other major Russian energy companies are becoming more active on markets new to them, particularly in the Middle East.

During implementation of Russia's strategy, large oil- and gas-producing companies controlled by or closely related to the state have been called upon to play the role of agents in carrying out the country's geopolitical plans. The events that unfolded in 2005 with respect to building the North European gas pipeline and relations with Ukraine showed that gas policy, and Gazprom in particular as its tool, has become one of the main factors in Russia's foreign policy strategy.

Since the beginning of the new millennium, the situation began to improve for the Russian Federation. The abrupt increase in world hydrocarbon prices and the first positive results of the structural reforms in the Russian economy began to yield their fruit. This made it possible not only to begin resolving domestic socioeconomic problems, but also think of Russia once more in its role as a great nation.

Along with the demand structure, the supply structure, which has become more diversified in the past decade, is also changing. In addition to the traditional centers of oil export, new ones have appeared: Russia, Central Asia, and West Africa. As an exporter only, the Russian Federation is rapidly exhausting its supplies, the exploration of which is being carried out at an extremely slow rate. The Ministry of Natural Resources has already sounded the alarm: according to its estimates, the supplies at most of the fields will run out in the next few years, and Russia could encounter a shortage of hydrocarbons.

This prompted the current Russian leadership to draw up a new energy resource strategy, which has not been officially publicized, but has been functioning for several years now. Its gist lies in the fact that the Russian Federation is taking up the position of developed countries and beginning to make a name for itself on the planet's raw material markets by carrying out an economic expansion policy in less developed countries.

## GAZPROM'S ROLE IN RUSSIAN STRATEGY

As mentioned above, large oil- and gas-producing companies controlled by or closely related to the state have been called upon to play the role of agents in the country's geopolitical strategy. The events that took place in 2005 involving construction of the North European gas pipeline and relations with Ukraine showed that gas policy, and Gaz-

prom in particular as its tool, is one of the main elements in Russia's foreign policy strategy<sup>1</sup>.

OAQ Gazprom is the largest gas company in the world and a monopolist in the production and transportation of Russian gas. For the past few years, the Kremlin administration has been significantly increasing its control over Gazprom, permitting the gas concern, in turn, to reclaim part of the core assets and increase the financial opportunities necessary for resolving the designated strategic tasks.

Within the framework of Vladimir Putin's strategy, Gazprom has noticeably stepped up its activity on the foreign markets in recent years and has been steadily enlarging its presence geographically on the planet. The gas concern (and the Russian leadership on its behalf) has been showing a clear inclination toward a transfer from spontaneous and one-time undertakings to a targeted strategy on the foreign economic front. What is more, this strategy is distinguished by perceptible diversity of the actions undertaken depending on the specifics of the particular region. But the goal is the same—to carve out a niche for the Russian company in this region.

The new strategy also presupposes a new geographic vector in Gazprom's foreign policy. In addition to traditional cooperation with European structures, it is gaining increasing access to the markets of the Asian and African countries.

Gazprom's main achievement as of today is that it is the sole operator of all the gas flows from the Central Asian states. The economic benefits of this are obvious. The main principle Russia is upholding in its gas-export policy is that of sole exporter. By assuming full control over the transportation and export of Central Asian blue fuel, Gazprom has significantly expanded its export potential while keeping in mind the interests of its Central Asian neighbors.

A new vector in Russia's strategy is its striving to make use of Central Asia's hydropower potential. This is seen in Russia's (and its business's) active participation in joint water development projects. Kazakhstan is still Russia's most valuable partner in its geopolitical and geostrategic priority system in the Central Asian Region. It goes without saying that the Russian Federation will continue to take an active and offensive stance with respect to Kazakhstan in the future.

At present, Moscow's policy in the Caspian is being carried out in the spirit of Vladimir Putin's strategic Caspian initiative. It is aimed at achieving several goals: military-political (ensuring Russia's military domination in the region), transportation and communication (implementing the South-North project involving India and Iran), and energy (retaining Russia's control over the transportation of energy resources).

As Russian strategists believe, due to the increasing dependence of the Caspian states on foreign capital, primarily American, and in light of the extremely limited financial resources, Russia needs to act simultaneously in three areas to protect its interests in the Caspian:

- 1) to achieve priority use of the Russian export infrastructure already in operation;
- 2) to promote Russian oil and gas companies in the region and encourage their maximum participation in the corresponding projects;
- 3) to block, wherever possible, projects that are unprofitable for Russia, taking advantage, among other things, of non-settlement of the Caspian's legal status.

According to Moscow, militarization might be delayed by the inclusion in the Convention on the Legal Status of the Caspian Sea currently being discussed by the Caspian states of the principle of the inadmissible presence of the armed forces of third countries in the region.

So while the U.S. was embroiled in its Caspian oil and Iraq affairs, and the EU in enlargement, Russia was building its Liberal Empire in a certain branch of the CIS—the gas industry. In order to fully set up this empire, Moscow needed Gazprom to carry out several intermediary tasks: acquire the Ukrainian gas transportation system on concession (for 30 years), create (under Russian conditions) a Russian-Belorussian joint venture based on the Beltransgaz Company, and sign a 25-year agreement with Kazakhstan on strategic cooperation in the gas sphere.

Russia is essentially striving to complete monopolization of the gas sectors in the Central Asian republics and then move from a «gas caliphate» to building a «gas U.S.S.R.» after fully taking over Ukraine and Belarus, a process which has already begun. Under the present conditions, these two countries can only rely on themselves, and to ensure reliable gas supplies they must maintain control over the transit of Russian blue fuel through their territory.

In June 2005, the state established its absolute power in the monopoly: its share in the capital rose to the control level. By December, a set of laws on liberalization of the company's shares was passed through the Duma in two readings. Due to these two undertakings alone, capitalization more than doubled, from 60 billion dollars to over 160 billion. At the end of September 2005, it became known that Gazprom had purchased the Sibneft oil company. Then Gazprom began implementing two extremely large investment projects—building the North European gas pipeline and preparing the Stockman field for development. Last year, Gazprom gained direct access to the Italian market and began establishing closer ties with ENI, as well as becoming involved in the Sakhalin projects.

The fact that Alexei Miller and Dmitri Medvedev are in charge of management is immensely conducive to Gazprom's successful activity. The latter factor is an embodiment of strategic support and a manifestation of the government's will in the company's policy and forms a balance between its interests and the state's interests, while also acting as Gazprom's lobbyist at the top level and its authorized presidential representative. Without this support, it would have been impossible to initiate the liberalization of the monopolist's shares or carry out absorption of Sibneft in less than a year. It stands to reason that Dmitri Medvedev's «patronage» of Gazprom is not widely promulgated, while its importance for the company is inestimable. Gazprom's highest leadership is striving to remain aboveboard when conducting its affairs, particularly with respect to asset transactions and economically transparent non-politicized motives in forming the company's business strategy.

On the other hand, all of Gazprom's recent major achievements would have been impossible without daily efficient work: talks with bankers about credit loans for new projects, with customers about new contracts for the purchase of gas, and with new business partners on the world markets. Nor would they have been possible without ensuring negotiations on «absorption» transactions. This is Alexei Miller's sphere of responsibility as Gazprom's chairman of the board.

<sup>1</sup> See: I. Tomberg, «New Realities on the Oil Market and Russia's Energy Policy,» *Central Asia and the Caucasus*, No. 4 (28), 2004, pp. 116-127.

But Western experts warn about Gazprom's problems. For example, the concern's fancied role as Russia's «geopolitical ice-breaker» relieves it of the need to engage in profitable management and justifies its lack of transparency. According to small stockholders, billions of dollars disappear every year without a trace. The fact that this fuel giant does not subordinate itself to the laws of the market economy is also confirmed by its restrained investment policy. Old fields are being exhausted, while new ones are being developed very slowly. Since the state began supervising the concern, oil production has risen by only 2%.

The fact that Russia's significance on the world liquefied natural gas (LNG) market is currently close to zero draws attention to itself: it is not producing or consuming liquefied gas in noticeable amounts, although it has an enormous resource potential. Russian companies were either not interested in this vector or it was not pertinent for them. Russia's main producer-Gazprom-placed its stakes exclusively on developing its own gas-pipeline system, the largest in the world. Small gas-producing companies were unable to implement multi-billion projects on their own, and oil producers, also leading gas producers, did not see the point in investing vast funds in marginal business. Gazprom has been exporting its gas quite successfully via pipelines, while its appearance on the LNG market would have violated one of the company's key trading principles: Gazprom's gas deliveries should not compete with each other.

In so doing, Russia has several competitive advantages, which could have long made it, if not the leading, at least a very large LNG producer. The country has access to all the key consumers: liquefied gas can be conveniently delivered from the fields in Yamal and on the shelf of the Arctic seas to North Europe and the U.S., and the hydrocarbon supplies of Sakhalin and East Siberia are located close to Japan and Korea, the largest markets in the world. In Russia, the production of so-called combination gas is growing. This gas contains valuable admixtures, so is more expensive. Paradoxically, the harsh climate also provides perceptible advantages. In the winter, when demand for energy resources is at its highest, the processing of LNG at liquefying plants in northern regions can be 30% higher than at similar production units in equatorial regions.

But Gazprom has still been unable to gain independent access to the liquefied gas market. The difficulties are largely related to the lack of experience both in working on a competitive market, and in creating LNG production plants in general. Gazprom is making persistent efforts to join the consortium for implementing the Sakhalin project and has already reached agreements with the largest stockholder-the Shell Company-on exchanging part of its share in the project for its assets in other regions.

Gazprom also has its own project for building an LNG plant-the only realistic mid-term prospect for Russia is setting up an LNG production unit at the Stockman gas field (its supplies would be sufficient to satisfy Europe's entire gas demand for seven years). Earlier, Gazprom suggested pumping the gas produced there via the North European gas pipeline, but delays in developing the field interfered with these plans. Now, with its help, the Russian company is hoping to find a niche for itself on the Atlantic LNG market. Total investments in the project should amount to around 20 billion dollars and the capacity of the liquefaction plant to 7.5 million tons a year. The first deliveries are planned to start in 2010-2012.

In mid-2005, the project began to take specific shape, and in the fall of 2005, Gazprom had already compiled a so-called short list of five potential foreign participants to join the consortium for developing the field. Two key partners are in the offing: one will fulfill the function of technology supplier (Norway's Norsk Hydro or Statoil could fill this role, since they have experience in building LNG facilities in Arctic conditions), and the other will be a U.S. company, which will ensure access to the North American market, the second closest after the European.

Gazprom will soon publicize the list of foreign companies to engage in the Stockman project with it. According to American analysts, the matter concerns the creation of a so-called «world gas OPEC»-GOPEC. So U.S. energy circles are beginning to put pressure on the White House to join this project.

After the disintegration of the U.S.S.R., Ukraine and Russia became country-symbionts in the gas sphere. Most of Russia's gas export to the Far Abroad was transited through Ukraine. With the government's support, Gazprom began insisting on monetary payments and on a more than three-fold increase in the price of gas beginning in 2006, from 50 to 160 dollars. What is more, it has recently been talking about a price of 230 dollars and saying that in the future the price will fully correspond to the world level. Ukraine received another blow from its main partner, Turkmenistan (the percentage of gas from this country in Ukraine's total consumption amounts to approximately 45%), which announced that privileged conditions for Ukraine would be cancelled beginning in 2006. This meant that taking into account «European» transportation fees (Turkmen gas is transited via major Russian gas pipelines), the cost of Central Asian gas for Ukraine would increase approximately 1.5-fold<sup>2</sup>.

On the whole, Ukraine would have to bear the brunt of several billion dollars in additional expenses a year. The liberalization of gas relations with Ukraine promises Russia an impressive economic profit. The direct effect alone from raising gas prices, even with a significant increase in Ukrainian transportation fees, will amount to 1.3-3.2 billion dollars. At present, since gas is so cheap, the Ukrainian nitrogen fertilizer industry, which is competing directly with Russian plants, is operating at full capacity: after all, gas accounts for up to 70% of the prime cost at these plants. By using cheap Russian gas, Ukraine was able to earn money on exporting electric power to Europe and even managed to find a way to deliver excess gas there. Under the new conditions, the huge jump in price for previously cheap fuel will deprive the energy-intensive Ukrainian economy of this competitive advantage forever and free up part of the market for Russian business.

Gazprom saw creating a joint gas transportation consortium as an effective way to overcome the disagreements. This was to be a structure in which Russia, Ukraine, and possibly Germany could manage.

Ukraine's gas pipelines on parity terms. A similar model operates in Gazprom's relations with Belarus. But, for political considerations, in January of this year, a compromise agreement was reached that was more advantageous for Kiev. All the same, Gazprom emerged from the Ukrainian crisis with a stronger reputation in the eyes of its European partners, which can be evaluated as a strategic achievement.

<sup>2</sup> See: Ekspert No. 45 (491), 28 November, 2005; No. 47 (493), 12 December, 2005; No. 49 (495), 26 December, 2005.

Gazprom achieved its main goals during the crisis: ensuring deliveries of gas to the West European market and control over financial flows (including by means of Turkmen gas). This was the main reason for the compromise with the Ukrainian side. As early as April 2006, similar methods were used with respect to Belarus.

#### GAZPROM AND CENTRAL ASIA

Gazprom's actions (with the support of the Kremlin) looked different in Central Asia, which is a potential resource base for Moscow's energy strategy<sup>3</sup>. In recent years, Russia's largest oil and gas companies have had a keen eye on Central Asia and been developing cooperation with the region's republics in different formats and with different degrees of success.

In April-May 2003, Russia signed several strategic long-term energy agreements with Turkmenistan, Uzbekistan, Kyrgyzstan, and Tajikistan. All four transactions signed were intended for 25 years and envisaged resolving a wide range of problems, in particular: gas export, joint development of oil and gas fields, laying pipelines, and modernizing outmoded equipment in the region's republics.

The top priority task in Russia's fuel and energy expansion is to create an integrated water and fuel-energy complex in Central Asia (under Russian management). One of the possible ways to carry out this task is to include Tajikistan in the water-energy consortium being created. The Rogun Hydropower Plant-the most powerful in the region-is currently being built in this country. Gazprom will participate in reconstructing and building major gas pipelines, compressor stations, and other infrastructure facilities for Kyrgyzstan's gas complex. It is very possible that Gazprom's main activity in this undertaking will be transiting gas to other countries (China).

Russia's goal is clear: it wants to strengthen its position as Turkmenistan's main partner in the energy sector and, in so doing, maintain control over the export of Turkmen gas. Ideally, Russia would like to control Turkmen gas in order to guarantee large-scale investments. Today, Turkmenistan is Russia's private ward. Russian-Turkmen relations are being built on Russia's management of Turkmen gas assets through Gazprom.

The most striking example of Russia's strategy is Gazprom's actions in the region. This company is trying to establish control over the gas flows between Uzbekistan and Kyrgyzstan, as well as between them and foreign markets. In so doing, it is more advantageous for Uzbekistan to sell gas previously intended for Kyrgyzstan to Gazprom. Even though the details of the agreement signed with Kyrgyzstan are not being revealed, it is obvious that the interests of the Russian gas giant in this republic are not related to gas production. The transit of gas through Kyrgyzstan to other countries will become an important factor, since this republic directly borders on China. It is known that Gazprom and the PRC have been considering the possibility of delivering Russian gas to China for several years now. One of the main issues at these talks is the export route for Russian gas. One option is for it to pass through Kyrgyzstan, so it is clear why Gazprom intends to carry out major modernization of the republic's gas transportation infrastructure.

<sup>3</sup> See: M. Karayianni, «Russia's Foreign Policy for Central Asia,» Central Asia and the Caucasus, No. 4 (22), 2003, pp. 90-96.

Today, the growth rates of production, which means of gas export as well, from the Central Asian countries is much higher than the rates of modernizing and developing their gas transportation systems. But the main gas artery from the region's states to Russia-the major gas Central Asia-Center pipeline-is currently operating to its limit. This relates to all three gas transportation countries: Turkmenistan, Uzbekistan, and Kazakhstan.

#### KAZAKHSTAN AND GAZPROM

Russian strategists have an ambiguous view of the expansion of energy cooperation between the Republic of Kazakhstan and China. According to Russian experts, the appearance of a new player-Kazakhstan-is introducing a certain intrigue into the situation, but they say this development of events should not be evaluated as negative.

As we know, Astana is hoping to become one of the world's largest producers of «black gold» in the next ten years. By 2010, it intends to reach a production level of 100 million tons, and by 2015 of 150 million. These ambitious plans are based on Kazakhstan's high potential in this sphere. According to Russian data, our total hydrocarbon resources are officially estimated at 25 billion tons of oil equivalent, 8 billion of which can be considered recoverable resources: confirmed oil reserves amount to 3.6 billion tons.

An increase in the throughput capacity of the Atyrau-Samara pipeline and export of oil through Russia is opening up a promising sales market for Kazakhstan, which Europe is for the country. According to experts' forecasts, by 2010, Central and Eastern Europe will import around 80 million tons of oil a year. The total length of the Caspian Pipeline Consortium (CPC) pipeline is 1,580 km and its initial throughput capacity amounts to 28 million tons a year. In so doing, a maximum throughput capacity of 67 million tons of oil a year is achieved (45 million of this amount goes to Kazakhstani oil producers).

In the next forty years, the CPC will be a stable source of revenue for stockholders. According to the estimates, during operation of the pipeline, approximately 23.3 million dollars will go into Russia's federal and regional budgets in the form of revenue and profit; Kazakhstan will receive approximately 8.2 billion.

Russian analysts pointed out that the KazMunaiGaz Company was initially willing to finance the construction of a third stage in the Atasu-Alashankou section of approximately 1,300 km in length.

Russian experts believe that the oil pipeline to China will only be economically profitable, if at least 20 million tons of raw material are pumped through it a year (at present, the new section of the pipeline can only pump 6 million tons). So Chinese companies are stepping up their efforts to obtain new fields in Kazakhstan. If experts' forecasts regarding the deposits in Kazakhstan's part of the Caspian are confirmed, this oil could be used «to fill the Chinese route;» then the throughput capacity of the pipeline would also increase.

Russian experts believe that Beijing's willingness to finance the laying of a pipeline from Kazakhstan was to show that there was an alternative and was a way of responding to the Russian government's tardiness in choosing a route for the pipeline.

When discussing the competition coming from Kazakhstan, Russian experts could not help but raise an important practical question: does the country have enough oil to «fill the Chinese route», if we keep in mind Astana's involvement

in transporting oil via other pipelines (the CPC, Atyrau-Samara, and BTC)? When analyzing the republic's export potential, that is, keeping in mind domestic oil consumption (in the next decade it will fluctuate at around 10 million tons a year), it transpires that in 2010, Kazakhstan will be able to export no more than 100 million tons. According to Russian experts, this is not enough to fill the existing pipelines, never mind those still under construction. In the next ten years, Kazakhstan will not need to create new transportation capacities, since in 2010, it will have a surplus of about 10 million tons a year.

So Russian analysts came to the conclusion that if we ignore its political ambitions, Kazakhstan does not have the economic feasibility (or need) to compete with Russia in the Chinese vector. What is more, Russia has the prospect of transferring energy cooperation between Astana and Moscow into the channel of strategic cooperation. Pipeline branches to China will make it possible to «open up» an additional alternative for pumping oil to China: first via the currently idle Omsk-Pavlodar-Chimkent pipeline, and then via the Kazakhstan-China route.

During President Nursultan Nazarbaev's visit to Moscow (in April 2006), this logic was affirmed: the Russian side confirmed its participation in the Kazakhstan-Chinese pipeline.

Resource-rich Kazakhstan, which is steering a course toward attracting as many investors as possible and is considered one of Russia's main partners in the post-Soviet space, is still the most attractive Central Asian republic for Russian companies.

Foreign companies that planned to participate in tenders in 2004 under new projects in the Kazakhstan sector of the Caspian Sea expressed their concern about the tougher tax conditions in the industry. Rosneft was one of the dissatisfied companies, which planned to begin implementing a joint Caspian project with Astana called Kurmangazy as early as 2004. Despite the objective difficulties, Russian companies are still hoping to find a niche for themselves on Kazakhstan's promising energy market.

Since 2004, Gazprom has been showing greater interest in the Karachaganak project and clearly does not want to let such large volumes of natural gas slip through its fingers. Gazprom suggested that Kazakhstan create a joint venture with it based on the capacities of the Orenburg Gas Processing Plant, after expressing its willingness to transfer several units capable of processing 8-10 bcm of gas a year, two pipelines already extended from the field to the Orenburg GPP, and other necessary technical equipment to this joint venture. It was presumed that Gazprom was also willing to offer Kazakhstan parity participation in the joint venture. However, all that is needed to develop the necessary volumes of Karachaganak gas and condensate at the Orenburg GPP is to increase its capacity slightly, while construction of a new plant on the field itself will cost much more and take much more time. According to the estimates of Gazprom's specialists, this construction would require around 1.3 billion dollars, while only 300 million are needed to increase the capacities at the Orenburg GPP.

Nevertheless, Gazprom is planning to become a stockholder of Kazakhstan's gas transportation system (if it is sold). According to the company's deputy chairman of the board, A. Ryazanov, this is advantageous not only to Moscow (which means to Gazprom as well), but also to Astana.

So, strategically, the views of the Russian monopolist and Kazakhstan coincide. Like Astana, Gazprom is interested

in increasing the throughput capacity of the Central Asia-Center route (45-50 bcm a year), since, in 2003, the concern entered a long-term contract with Ashgabad, planning to bring purchases of Turkmen gas up to 70 bcm by 2007. In 2004, Gazprom announced that it intends to invest more than 1 billion dollars in developing Uzbekistan's fields.

Gazprom's strategists are mainly concerned that if Kazakhstan really does greatly increase its gas production volume, Astana will again raise the question of having to make room for Gazprom at the export pipeline to Europe. At present, the export of Kazakhstani blue fuel abroad is limited to around 6.5 bcm a year, whereby only part of this gas goes to Europe (the rest goes to the Omsk Gas Processing Plant).

Gazprom holds that this system is entirely workable, and Russia will hardly agree to increase the export of Kazakhstani gas via Russian gas pipelines, since this could be detrimental to the export of Russian blue fuel.

#### UZBEKISTAN'S OIL AND GAS COMPLEX AND RUSSIA

The Republic of Uzbekistan has well-developed and sufficiently powerful flowline and main gas pipelines, which make it possible to transport fuel to consumers within the republic and abroad. The total length of the main gas pipelines is 12,660 km, and they are served by 25 compressor stations. In the northwest, separate sections of powerful gas transportation systems were laid intended mainly for transit gas deliveries: these are the Central Asia-Center and Bukhara-Ural lines. A distinguishing feature of Uzbekistan's gas transportation system is that it is of interstate significance. Neighboring republics-Kazakhstan (the southern part), Kyrgyzstan, and Tajikistan-are supplied with Uzbek gas. What is more, Turkmenistan uses it for exporting its gas. It is presumed that by 2010, the total volume of commercial gas deliveries via the Uzbekistan gas transportation system will increase to 70 bcm<sup>4</sup>.

Uzbekistan occupies third place among the East European states and CIS countries in terms of explored supplies of natural gas, and fourth in terms of liquid hydrocarbons. Its total potential resources amount to more than 5,300 million tons of oil, 480 million tons of condensate, and 5,095 bcm of gas. At present, oil production is being carried out at 51 fields, gas production at 27 fields, and condensate production at 17 fields. A total of 123.9 km of main gas pipelines have been put into operation by Uzbekneftegaz enterprises. They include the Gazli-Kagan gas pipeline of 68.6 km and a gas pipeline-shunt from the Syr Darya State Regional Power Station of 18.4 km in length. Production drilling has been carried out and 22 and 17 wells for oil, and 16 and 11 wells for gas have been linked to these pipelines, respectively.

The Uzbekneftegaz National Holding Company (NHC) is carrying out modernization of gas-filling stations within its structure at a total cost of approximately 100 million dollars. There are plans to reconstruct the existing and build new gas-filling stations operating on liquefied gas and belonging to the Uznefteprodukt Joint-Stock Company.

Uzbekistan's strategic task is to actively attract foreign investments not only into geological exploration and gas production, but also into gas processing. The main project in this area is the Shurtan chemical gas complex, construction

<sup>4</sup> See: D. Faizullaev, «Gazovyi potentsial Uzbekistana i Turkmenistana,» *Azia i Afrika*, No. 9, 2004, pp. 13-18.

of which began in 1998. It is based on the Shurtan group of low-sulfur gas fields recently put into operation—South Tandyrycha, Adamtash, and Gumbulak, the gas from which is characterized by a higher concentration of valuable light hydrocarbons—ethane, propane, and butane, as well as so-called aromatics—a valuable raw material for obtaining many petrochemical products. When this complex went into operation in 2002, the opportunity arose for purifying all the gas extracted at the Shurtan and neighboring fields and pump it through the Shurtan-Syr Darya-Tashkent gas pipeline. In terms of polyethylene production, the complex reached the planned level of 125,000 tons a year in 2002.

Oil and gas condensate production in Uzbekistan dropped to 6 million tons in 2005 compared with 7.3 million tons in 2002, and gasoline and diesel fuel production to 3.2 million tons compared with 3.5 million tons. But the demand for gasoline and diesel fuel has been increasing by approximately 5% every year and, by 2005, there was shortage of almost 700,000 tons of gasoline and 600,000 tons of diesel fuel. The decrease in oil and petroleum product production is related primarily to depletion of the fields in use, as well as to a slowdown in the rise in technical level of geological survey production.

Russian analysts note that in isolation from neighboring countries—Turkmenistan and Kazakhstan—capital investment in Uzbekistan's gas industry might be inefficient due to the republic's distance from the sales markets. Nevertheless, Russia is establishing economic cooperation with Uzbekistan: the Russian Federation occupies first place in the Uzbek economy in terms of trade turnover, which amounted to more than 1 billion dollars in 2003. There are more than 200 joint enterprises operating in the republic, and such large concerns as Gazprom, LUKoil, Wimm-Bill-Dann, the Cherkizov Agroindustrial Complex, and others are successfully carrying out business.

In July 2001, the project participants signed a contract on the Main Principles and Provisions of the Production Sharing Agreement at the Bukhara-Khiva and Gissar Fields of the Oil and Gas Regions. According to the contract, LUKoil and Itera will receive 45% of the produced gas each, and Uzbekneftegaz will receive 10%. Russia is confident that Uzbekistan will be its reliable economic partner for at least the next 30-35 years. This is the term of a long-term gas contract signed in June 2004. A consortium of investors is being created: 90%-LUKoil and 10%-the Uzbekneftegaz National Holding Company, which is carrying out exploration and production of hydrocarbon supplies in southwest Uzbekistan under production sharing conditions. Capital spending (LUKoil will bear the main brunt) comes to around 1 billion dollars and, in the future, production volume will amount to 8.8 bcm of gas a year. Most of this amount will be purchased by Gazprom's structures.

The Final Production Sharing Agreement under the Kandym-Khauzak-Shady Project was signed in June 2004 during Vladimir Putin's visit to Uzbekistan. LUKoil and Uzbekneftegaz joined the consortium in its final form. It was decided not to involve the Itera Company, which specializes in the transportation of gas and oil, in the project, since in 2002, another Russian company, Gazprom, acquired the right of system operator of the main Central Asia-Center gas pipelines in Uzbekistan.

In December 2002, the Uzbekneftegaz and Gazprom companies signed an Agreement on Strategic Cooperation until 2012. In keeping with this document, Uzbekneftegaz and the Zarubezhneftegaz closed joint-stock company (cre-

ated in September 1998, 60.1% of the shares belong to Gazprom, 24.9% to Zarubezhneft, and 15% to Stroi-transgaz) signed a Production Sharing Agreement in Tashkent on 14 April, 2004 on an investment project called Development Completion of the Shakhpakhty Field in the Ustiurt Oil and Gas Region. It was opened in 1962, and its supplies are estimated at 39.9 bcm of gas. At present, the recoverable deposits amount to some 8 bcm. But in February 2002, production had to be halted due to high wear-and-tear of the equipment.

According to the conditions of the mentioned agreement, Zarubezhneftegaz is investing more than 15 million dollars in modernizing the field's infrastructure. Profit from the sale of gas will be distributed evenly between the project participants. Production was to be renewed during the second half of 2004, the field finally set up by the end of the year, and its development was to be completed over the next 13 years. What is more, the investor completed construction of a booster compressor station. All of these measures made it possible to produce 200 million cubic meters of natural gas at that time and send it to the Karakalpakia compressor station of the Central Asia-Center main gas pipeline for export. Beginning in 2005, the annual production and export of blue fuel amounted to 400 million cubic meters.

It is obvious that in the current situation, a potential investor showing its interest in Uzbek gas will need a single strategy for the three countries of the region, which Gazprom has been actively engaged in for the past two years. The agreement it signed with Tashkent in 2003 until 2012 envisages joint development of the fields and deliveries of Uzbek gas (5 bcm a year until 2005 and 10 bcm a year after 2010). What is more, Gazprom's strategic interest in Uzbekistan is aroused by the fact that the Central Asia-Center main gas pipeline linking Turkmenistan and Russia runs through the republic's territory.

In this way, the Russian company has entered its first contract in Central Asia envisaging the exclusive production of gas. In the mid-term, this will allow Gazprom to switch from reselling gas to its production, that is, to begin a new stage of business in the region, and also restore the former Soviet chain of geological, commercial, and transportation assets, which will give this structure the opportunity to increase its export potential and strengthen economic relations with its Central Asian partners.

The agreement on cooperation in gas production and transportation signed with Uzbekistan at the end of 2002 envisaged three main areas of partnership.

*First.* The main principles of Russia purchasing Uzbek gas until 2012 were set forth. In keeping with this agreement, Uzbekistan has already delivered 5 bcm of gas to Russia between June 2003 and May 2004, and beginning in 2005 planned to reach a level of 10 bcm a year at a price of around 40 dollars per 1,000 cubic meters.

*Second.* A program for implementing joint gas production projects was drawn up. As the agreement envisages, beginning in April 2004, Gazprom's subsidiaries—Zarubezhneft and Switzerland's Gas Project Development Central—became participants in the project for producing gas condensate at the Shakhpakhty field in the Ustiurt Region under production sharing conditions. The term of the agreement was 15 years. It was presumed that in 2004-2007, investments in field development will reach 15 million dollars. These funds will be invested in developing the latest gas production technology and constructing a new booster compressor station. Every year, 0.5 bcm of gas will be produced at the Shakhpakhty

field; it will be distributed between the Russian and Uzbek participants in the project on a 50:50 basis.

*Third.* There were plans to reconstruct and develop the existing Uzbek gas transportation system. Now its throughput capacity amounts to 130 million cubic meters of gas a day, or 48 bcm a year. This capacity is hardly sufficient for meeting the obligations to transit 36 bcm of Turkmen gas to Ukraine, 4 bcm of which are purchased by Tazeksport in Ashgabad, as well as the mentioned Uzbek gas purchased by Gazprom. The latter planned to gradually increase the capacity of Uzbekistan's gas transportation system to 51-52 bcm in 2005 and 56 bcm in 2006. Gazprom intended to provide approximately 100 million dollars in investments for this purpose.

In this way, the Russian giants on the oil and gas market gained access to new Asian fields, thanks to which Russia, in the form of its companies, has now become Uzbekistan's leading investment partner in the gas industry and economy in general.

It is worth noting that Itera was the first Russian company to gain access to Uzbekistan. Along with LUKoil, it held talks lasting for many months on entering a production sharing agreement regarding the Kandym-Khauzak-Shady block, which is located in the south of the country. The volume of confirmed geological supplies of blue fuel in the contract territory amounted to 283 bcm. The largest field is Kandym; and its supplies amount to more than 150 bcm. But in 2003, Itera curtailed its activity in Uzbekistan and even closed down its office in Tashkent, unable to deal with the tough competition coming from Gazprom, which essentially monopolized the export deliveries not only of Uzbek, but also of all Central Asian gas.

As for LUKoil, the company carried out talks with Uzbekistan on the Kandym-Khauzak-Shady block on its own, and on 16 June, 2004, during Russian President Vladimir Putin's visit to Tashkent, this Russian oil giant and the Uzbekneftegaz Company entered a production sharing agreement envisaging gas production in the Bukhara-Khiva Region (in the southwest of the republic). In order to implement the project, a joint venture will be created, in which the share of the Russian company will amount to 90%, and Uzbekneftegaz's share to 10%. In so doing, LUKoil increased its share to 90% (from 70%) six days before signing the contract. The term of the agreement is 35 years; the volume of investments in the project is approximately 1 billion dollars; industrial gas production will begin in 2007. In this way, LUKoil became the second Russian company executing a production sharing agreement in Uzbekistan's oil and gas industry.

Within the framework of this project, the maximum level of annual production is drawing close to 9 bcm, and the total accumulated production volume could increase to 207 bcm. What is more, the project envisages the construction of a contemporary chemical gas complex with a capacity of 6 bcm of gas a year, the first stage of which will be put into operation in 2010. There are plans to drill 240 production wells and lay more than 1,500 km of pipelines. In addition to this, there are plans to build two compressor stations, headers, and RV sites, put up high-voltage electric transmission lines, lay a separate rail branch of around 40 kilometers in length, and build roads and access ways. Incidentally, blue fuel will be pumped via Gazprom's main transportation networks, so the Russian monopolist will be taking indirect part in this project too. A feasibility study of the project was carried out by the UzLITIneftegaz Institute, a subsidiary of Uzbekneftegaz, and an American law firm, Baker and MacKenzy, prepared

the production sharing agreement. The feasibility study and text of the production sharing agreement were approved by the republic's Special State Commission entrusted with drawing up conditions for using sections of the subsoil and reviewing production sharing agreements.

The active stance of Russia's largest oil and gas companies has made it possible for them to occupy a dominating position in Uzbekistan's heat and fuel complex, which not one foreign investor has been able to do so far. In contrast to Kazakhstan, where Russian companies have to deal with tough competition from the world's largest companies, a different situation has developed in Uzbekistan. The coordinated actions of the Russian companies and their control over the transportation supply lines (the same «production-transportation» blend in the form of Gazprom and LUKoil) are making it possible for Moscow to establish more efficient geopolitical relations with Tashkent. In addition to everything else, Uzbekistan is the only Central Asian country where Russian oil and gas producers have not yet encountered objective difficulties in implementing their projects.

#### RUSSIA'S ENERGY INTERESTS IN TAJIKISTAN AND KYRGYZSTAN

Russia is also actively cooperating in the oil and gas industry with Kyrgyzstan. This cooperation is mainly expressed in an agreement between the Kyrgyzstan government and the Russian company Gazprom on the exploration and development of gas fields over a span of 25 years.

At the beginning of 2004, Uzbekistan insisted on entering a new gas contract with Kyrgyzstan, but its conditions were tougher and less advantageous for the latter. The price of gas remained the same—42 dollars per 1,000 cubic meters, but in so doing Uzbekistan insisted on it being paid in full in hard currency, and not 50% in currency and 50% in goods as before. Taking into account its large foreign debt and state budget deficit, this contract was extremely disadvantageous for Kyrgyzstan.

Since there was no other alternative Kyrgyzstan was forced to agree to essentially any conditions Uzbekistan put forward. This situation prompted the Kyrgyz leadership to look for alternative sources of gas supplies. For example, in May 2003, an Agreement on Cooperation in the Gas Sphere between Gazprom and the Kyrgyz Government for twenty-five years was signed. Gas is delivered via the existing major gas pipelines. Apparently, Gazprom is planning to deliver some of the gas it purchases in Uzbekistan and Turkmenistan to Kyrgyzstan.

According to the same agreement, Gazprom will participate in reconstructing and building major gas pipelines, compressor stations, and other infrastructure facilities in Kyrgyzstan's gas complex. What is more, the agreement presupposes joint operation of the existing gas pipelines with the prospect of transiting gas through Kyrgyzstan to other countries. Gazprom is planning to invest in geological exploration in the republic.

In Kyrgyzstan, Gazprom plans to participate in privatizing this republic's gas-distributing networks (they are currently controlled by the state Kyrgyzgaz company). In so doing, some of the shares might be transferred to Russia for settling Bishkek's foreign debt. What is more, Kyrgyzstan, which is currently supplied with Uzbek gas, is hoping to import gas from other countries as well, relying on Gazprom's help. It should be added that the Russian

gas concern is currently engaged in exploring gas fields in Kyrgyzstan itself.

It is known that Gazprom and the PRC have been working on the possibility of delivering Russian gas to China for several years now. One of the issues being discussed at the talks is the export route Russian gas should take. One alternative is for it to pass through Kyrgyzstan.

Gazprom's debut as a gas supplier to Kyrgyzstan helped Uzbekistan and Kyrgyzstan to bring their positions at the talks on delimitation of the state border between the two republics into greater balance with each other. What is more, Uzbekistan's position has become more vulnerable. Signing of the agreement between Gazprom and Kyrgyzstan led in the short term to Tashkent losing a lever of pressure on Bishkek with respect to settling territorial disputes. What is more, if Gazprom delivers gas to Kyrgyzstan, Uzbekistan might face water supply problems<sup>5</sup>.

There are several reasons why it is more advantageous for Uzbekistan to sell gas previously meant for Kyrgyzstan to Gazprom: Gazprom is a much more reliable partner than Kyrgyzstan, since it always pays for the deliveries of Uzbek gas on time and in full; and the price at which Gazprom buys Uzbek gas is the same as the price Uzbekistan sells it to Kyrgyzstan. Uzbekistan's cooperation with Gazprom is much more important for the republic, since the volume of Uzbek gas deliveries to Kyrgyzstan is insignificant—0.6 bcm annually.

Russia's position in the form of Gazprom as one of the sides of the triangle appears to be the vaguest, since the details of the agreement signed with Kyrgyzstan are not being disclosed. But it is clear that the interests of the Russian gas giant in Kyrgyzstan are not related to gas production. Gazprom has no particular illusions about the amount of gas reserves in Kyrgyzstan. According to Gazprom's data, the proved reserves of natural gas in Kyrgyzstan amount to a total of 5.7 bcm, whereby the assimilation of the republic's gas fields is complicated by the unfriendly geological characteristics and poorly developed infrastructure. In this way, Kyrgyzstan is unable to meet even its medium-term natural gas needs by means of its own fields. They can only be used for emergency purposes in the event that import deliveries are interrupted.

From the technical viewpoint, there is the Ukrainian factor: Bishkek says that Kiev is not repaying its debt, which amounts to approximately 25 million dollars. This amount «accumulated» as early as the end of the 1980s—beginning of the 1990s (when the U.S.S.R. Central Bank introduced clearing accounts), which could interfere with Ukraine joining the WTO. Kyrgyzstan is willing to accept any type of debt settlement, and Ukraine can pay by means of machine-building production for the fuel and energy complex, as well as by means of building services in this sphere.

The same applies to Gazprom's relations with Tajikistan. Gazprom has been carrying out exploration and development of fields in this country under a contract signed in 2003 and

<sup>5</sup> However, Uzbekistan in no way reacted to the agreement signed between Gazprom and Kyrgyzstan. Taking into account the fact that just six months earlier, in December 2003, an agreement was signed between the Uzbekneftegaz Petrochemical Company and OAO Gazprom on long-term purchases of gas in Uzbekistan for 2003–2012, joint implementation of projects in gas production (development of the Shakhpakhty field), and reconstruction and development of the republic's gas transport system, it can be presumed that the conditions of the agreement signed with Kyrgyzstan were agreed upon in advance with the Uzbek leadership.

is helping local companies to build, reconstruct, and operate gas pipelines, as well as other gas complex infrastructure facilities in the republic. Proven reserves in Tajikistan are insignificant; production amounts to 24 mcm and is consumed in the south of the republic. Domestic demand is largely met by means of import, Uzbek gas is delivered to the northern part of the country (485 mcm). Proven reserves of natural gas and gas condensate in Tajikistan amount to 29.1 bcm and 1.26 million tons, respectively. In so doing, the forecasted gas resources are evaluated at more than 1 tcm, while Tajikistan's own natural gas requirements amount to only 1.2 bcm a year.

In 2004, Russia decided to try something new in Tajikistan, something it tried out in Kyrgyzstan: military bases in exchange for investments. At present, it is unprofitable to develop oil and gas, since these resources lie at great depths. A promising area is still the use of hydropower, of which the country essentially has inexhaustible reserves.

One of the topics also being discussed at the Russian-Kyrgyz talks is the problem of rehabilitating uranium tailing ponds, which, according to specialists, requires at least 50 million dollars. The Russian side expressed its willingness to assist in preparing a technical project for conserving tailing ponds (particularly the one at Kaji-Sai). Russia is also interested in creating a Russian-Kazakh-Kyrgyz joint venture for developing the Zarechnoe uranium field located in the Otrar District of the South Kazakhstan Region, the reserves of which are evaluated at 19,000 tons of uranium.

It is no accident that Kyrgyzstan has been chosen to deliver electric power to Russia: its hydro resources are estimated at 142.5 billion kW/h, and, in terms of its hydropower potential, the republic is ranked third in the CIS. This high index is due to the fact that the country's rivers have an extremely high potential per km of river bed. For example, in terms of specific hydropower capacity, the Naryn River, where a cascade of hydropower stations operates, is superior to Russia's Volga and Angara.

But the export of electric power to Russia is not the end of this project. RAO UES is suggesting that Kyrgyzstan take part in creating a Eurasian energy bridge, that is, a unified energy system for the CIS, and subsequently for Europe and Asia. Several states (France, Germany, South Korea, Iran, China, Turkey, and Japan) have already expressed their support of the idea of creating a unified Eurasian energy system. In order for Kyrgyzstan to be able to participate in this project, its potential hydro resources must be activated, in particular, two hydropower stations must be built on the Naryn River; whereby the capacity of each of them could be raised to 19 billion kW/h, which will require approximately 1.5 billion dollars.

Top priority among the main tasks of Russia's fuel and energy cooperation with Kyrgyzstan and Tajikistan goes to creating a unified water, as well as fuel and energy balance in Central Asia. These two tasks are closely interrelated, since Kyrgyzstan is participating in the water-energy exchange scheme with Kazakhstan and Uzbekistan. In this respect, Russia is offering to help Kyrgyzstan and other Central Asian states develop a new conception for an international hydropower consortium and organize the rational management of these types of resources.

Finally, we wonder about Gazprom's true purpose. We have already mentioned that the latter and Beijing have been working for several years now on the possibility of delivering Russian gas to China through Kyrgyzstan. In this respect, it is understandable why Gazprom intends to carry

out major modification of Kyrgyzstan's gas transportation infrastructure.

Russia's active stance during the revolution and Askar Akaev's overthrow in 2005, particularly in the inter-Kyrgyz settlement, was motivated not only by its desire to stabilize the situation and prevent escalation of the conflict, but also by its striving to uphold its political, economic, and energy interests in Central Asia, as well as maintain its dominating influence in this region by means of Gazprom.

#### GAZPROM'S POLICY IN TURKMENISTAN

Russian companies have begun expanding into the republic's offshore sector, while most of the Western giants and medium-sized companies found the current investment climate in Turkmenistan to be unsatisfactory. Along with the political factor, the main problem to be overcome when carrying out exploration and development in this sector is the underdeveloped petroleum infrastructure and the immense depreciation of the facilities that are available. Azerbaijan has possession of the entire set of boring installations remaining in the Caspian after the collapse of the U.S.S.R., as well as pipe-lay-derrick barges and assembly sites for building stationary platforms, and Turkmenistan has difficult political relations with this state.

Russian oilmen and gasmen can successfully replace Western investors. The first to achieve success was Gazprom, which signed a long-term contract with Ashgabad in 2003 for the purchase of extremely large amounts of natural gas.

At present, Russian-Turkmen relations look outwardly stable, despite several crises in their recent history. The most significant of them were the events in 2003 associated with the cancellation of Russian-Turkmen citizenship.

Right up until the end of 2003, Russia repeatedly expressed its concern about the discrimination of ethnic Russians in Turkmenistan. In April 2003, Saparmurat Niyazov suddenly decided to abolish the institution of dual citizenship by asking approximately 100,000 ethnic Russians in Turkmenistan either to give up their Russian citizenship, or leave the country. Under pressure from Moscow, President Niyazov used the gas factor to achieve his end.

As a result, on 10 April, 2003, presidents Putin and Niyazov signed two documents in Moscow: an agreement on deliveries of Turkmen gas to Russia for 25 years and a protocol on the abolishment of dual citizenship. Turkmenistan is the largest producer of natural gas in Central Asia and hopes to attract foreign investments of up to 25-26 billion dollars into its oil and gas sector by 2020. Ashgabad is actively making use of this factor in its foreign policy, particularly in its relations with Russia and other CIS countries.

During this time, the Russian Federation will buy Turkmen gas at a fixed price; by 2009, purchases are to be increased to 80 bcm. Fifty percent of the gas to be purchased will be paid in cash and 50% in goods and services for the Turkmenistan gas industry. It is expected that Russia will gain a profit of 300 billion dollars, and Turkmenistan of 200 billion<sup>6</sup>.

The unresolved nature of issues regarding the building of new transnational routes, as well as the signing of an agreement in April 2003 between GTK Turkmennftegaz and the Russian Gazekspor company (Gazprom's subsidiary

company) brought the problem of modernizing the existing pipeline system into the foreground.

Gazprom is showing an interest in solving this task, since, beginning in 2009, the annual volume of Turkmen gas deliveries to Russia will amount to 70-80 bcm a year. At present, four branches of the Central Asia-Center gas transportation system can pump 40-45 bcm of gas a year through Turkmenistan, Uzbekistan, and Kazakhstan, and approximately 70 bcm through Russia. Starting in 2009, contracted deliveries of Central Asian gas will amount to a total of approximately 100 bcm of gas a year, taking into account the 10-12 bcm of gas purchased by Gazprom in Uzbekistan under an agreement signed in December 2002. From this it follows that the capacity of the Central Asian section of the pipeline must be increased by 60 bcm, and of the Russian section by 30 bcm.

A total of 70-80 bcm of Turkmen gas will be purchased a year, and throughout the 25 years the agreement is in effect there are plans to extract approximately 1.6 tcm of gas from the Turkmen fields. From Gazprom's point of view, laying a gas pipeline within the framework of the existing route appears to be economically expedient. In this event, investments in the project will not exceed 2 billion dollars.

But there are objective and subjective difficulties hindering the implementation of these plans. The main Central Asian gas pipeline CAC (Central Asia-Center) cannot pump more than 45 bcm of gas a year (in the section that passes through Uzbekistan). Gazprombank has allotted 100 million dollars, which should go to expanding the throughput capacity of CAC in Uzbekistan to 55 bcm in the next two years. What is more, a feasibility report is being prepared of a project for building a new gas pipeline branch, which will be laid within the currently operating CAC corridor. Gazprom has no intention of being the sole investor in this project. The company hopes to interest the Ukrainian side in the form of RosUkrEenergo, which is in favor of stable deliveries of Turkmen gas to Ukraine.

The main contradictions are developing around the price of the gas, the form of payment, and the transportation conditions. With respect to the latter, Turkmenistan has already managed to impose rather tough contract conditions on Gazprom: if Gazprom cannot «draw» all the gas to be delivered from this country, it will have to pay an amount equal to the cost of the «undrawn» gas. Gazprom is keeping this in mind and so is stepping up work to increase the throughput capacity of the Central Asian gas pipelines. The Turkmen leadership is insisting that, beginning in 2007, Gazprom make all of its payments in hard currency only.

Russia, like Turkmenistan, gained from the gas crisis at the end of 2004-beginning of 2005. In so doing, Gazprom not only upheld its economic interests, but also made Ashgabad understand beyond any shadow of a doubt who is holding the biggest trump cards. What is more, at this stage, Russia's out-and-out refusal to transport and purchase Turkmen gas could have extremely serious repercussions for the Turkmenistan economy and, correspondingly, for the ruling regime there.

At present, five production sharing agreements are being executed in the country. Two of them are on dry land: the Nebit-Dag project (operator-Burren Energy) and the Hazar project with the participation of the Mitro Int company, and three are on the shelf: Cheleken (operator-an Emirates company called Dragon Oil), Block-1 (operator-Malaysian Petronas), and Blocks 11, 12 (operator-Danish Maersk Oil). The German Wintershall company is getting ready to explore

<sup>6</sup> See: D. Faizullaev, «Turkmenistan: strategii i taktika osvoeniia gazovykh resursov,» *Azia i Afrika*, No. 1, 2005, pp. 21-25.

the shelf, NAK Naftogaz Ukrainy obtained five contract blocks, and ZAO Zarit (a joint venture comprised of MGK Itera, OAO Rosneft, and ZAO Zarubezhneft) is planning to carry out production at three blocks on the Turkmen shelf. All of these companies intend to enter production sharing agreements.

The Turkmen side is supporting another route for the gas pipeline—from Turkmenistan along the east coast of the Caspian through Kazakhstan to Russia. In this case, its length from Turkmenistan to the Russian Federation will be reduced to 700 km, and the cost of the project will amount to no more than 1 billion dollars. But this route will not pass through Uzbekistan, which might not be entirely to Gazprom's liking due to the large number of contracts between Russia and Uzbekistan.

Russia's goal is obvious and consists of strengthening the position of its main partner—Turkmenistan—in the energy sector, thus retaining control over the export of Turkmen gas. In 2004, Russia and Turkmenistan agreed that the latter would sign an important agreement («in the near future») on developing offshore oil fields in the Turkmen sector of the Caspian Sea. This transaction, which is a production sharing agreement, will be entered with the Russian oil consortium ZAO Zarit. The time-limit of the contract is 25 years and concerns the development of four blocks rich in oil and gas in the southern part of the Caspian shelf close to the border with Iran.

The Zarit joint venture was founded in May 2002 in Moscow by Rosneft and the Gazkhiminvest company, which belongs to Itera (each of them possesses 37% of Zarit's shares), as well as the Zarubezhneft company, which owns the other 26% of the shares. The consortium intends to draw Turkmen state companies Turkmenneft and Turkmenneftegaz as well as companies from Iran into cooperating with it.

In this way, the activity of Russian companies in Turkmenistan boils down to Gazprom buying large amounts of blue fuel. What is more, this company managed to «cut off» other serious consumers of Turkmen gas, for the near future at least, and shelve for the foreseeable future such ambitious projects as building a pipeline to Afghanistan and Pakistan or laying a trans-Iranian gas pipeline with access to Turkey and Europe.

The situation was complicated at the beginning of April 2006 during President Niyazov's visit to China, where an agreement was reached on building a gas pipeline from Turkmenistan to the PRC, bypassing Kazakhstan. This demarche by Turkmenbashi looked like a risky attempt at blackmail, primarily of Russia, since this project does not have any realistic substantiation. Turkmenistan will not have enough gas to fill this pipeline even for the Pakistani and Indian markets (if the agreement with Gazprom is not broken). What is more, the military-political and geopolitical risks associated with Afghanistan still retain their significance.

#### GAZPROM AND FOREIGN MARKETS

The main goals of Russian policy with respect to the EU consist of the following: preserving the French-German-Russian triumvirate, which has unique significance for Europe; continuing and strengthening the EU countries' energy dependence on Russia; achieving and keeping Russia's support on the part of the key European countries (Germany, France, Italy, and, possibly, Great Britain) as a counterbalance in Russia's relations with the U.S. and the Eastern European countries of the European Union; and drawing up a joint policy in geopolitical areas important to Moscow.

As Russian strategists believe, long-term, large-scale cooperation, which is counted on for decades, between two mutually complimentary economic complexes—Russia and the European Union—could lay the foundation of a new and powerful center of the multipolar world of the 21st century. In their opinion, if events develop favorably, this center could take first place in the world by the middle of this century. Moscow sees the energy resources of Kazakhstan, the Caspian Region, and Central Asia (placed under Russia's control) as a necessary and important addition to this strategy.

Ensuring energy security, which in China is a synonym for oil security, will become a top priority task. It is believed that, relying on the current structure of world oil interests, China should develop its «energy diplomacy,» take active part in global and regional organizations aimed at cooperation in the energy industry, and become an effective player on the current and future markets, acquiring a discernible vote in determining oil prices and favorable game rules.

We should take note of the growing shortage of China's energy resources<sup>7</sup>. By 2010, it will satisfy half of its oil requirements by means of import. According to the estimates of specialists, the PRC economy's annual need for oil will grow from 200 million to 400 million tons, that is, essentially double, by 2020. Annual growth rates of crude oil consumption in the country have already reached 6% over ten years with a less than 2% increase in domestic production. The poor diversification of sources of oil import is arousing serious concern among experts with respect to ensuring energy security in China. Today, more than 60% of oil imports are maintained by deliveries from five countries of the Middle East and Africa, and by 2010, the share of this region could grow to 80%<sup>8</sup>.

In its Russian policy, China is pursuing a strategic goal—to implement a pipeline project from Eastern Siberia to its Pacific coast. The main problem complicating Russian-Chinese relations at the current stage is the Angarsk-Daqing pipeline.

In March 2006, Russia's energy geostrategy in the Chinese vector became extremely activated: during Vladimir Putin's official visit to the People's Republic of China, a Protocol on Deliveries of Natural Gas from Russia to the PRC was signed. The document set forth the main terms regarding time-limits, volumes, and routes (Western and Eastern) of the gas deliveries, as well as payment conditions. The Rosneft and Gazprom companies signed agreements on oil and gas deliveries and on creating joint ventures with the Chinese National Petroleum Corporation. The matter concerns building two gas systems in Western and Eastern Siberia with delivery volumes of 30–40 bcm each. The new gas pipeline from Russia to China will be built in five years<sup>9</sup>.

Essentially, signing of the memorandum on Gazprom's delivery of gas to the PRC is a serious step toward forming a global world gas market in keeping with Russia's energy geostrategy. This event will have an impact on the development of one of the three main gas markets—the Asia Pacific. One of the reasons is the Russian Federation's search for alternative markets in response to the fact that Europe has

<sup>7</sup> See: Ph. Andrews-Speed, Xuanli Liao, R. Dannreuther, «The Strategic Implications of China's Energy Needs,» Adelphi Paper 34, Oxford University Press, Oxford, New York, 2002, 115 pp.

<sup>8</sup> See: B.D. Cole, *Oil for the Lamps of China-Beijing's 21st-Century Search for Energy*, NDU, Washington, D.C., 2003.

<sup>9</sup> See: D. Faizullaev, «Rossiisko-kitaiskoe sotrudnichestvo v gazovoi otrasli,» *Azia i Afrika*, No. 5, 2006, pp. 14–19.

been talking a lot recently about the possibility of alternative deliveries of gas and developing alternative types of energy production. Another factor is that Russia must gain access to the Asian market as quickly as possible since there is competition between liquefied natural gas and pipeline gas.

The strategic goal of this breakthrough is Moscow's striving to intensify competition over deliveries of Russian gas in the world, particularly between the Europeans and Asians. Competition between them will ultimately lead to an increase in the cost of blue fuel. Attention is also being paid to the consideration that liquefied natural gas will be used primarily on the coast, whereas the Russian pipeline will run to China's western regions.

Another factor is important for Kazakhstan: the Russian Federation and PRC have reached a preliminary agreement on laying an export pipeline in the PRC to the Xinjiang-Uighur Autonomous Region. This will ensure additional opportunities for Astana in the future, if Moscow and Beijing can be convinced to lay the pipeline through Kazakhstan.

The LUKoil and Gazprom companies, which are closely tied to Russian state structures, have come to the forefront of Russia's energy interests in the Middle East. However, Russian companies found themselves up against tough competition from the largest Western energy corporations. Gazprom did not begin manifesting activity in the Middle Eastern vector until 2004. The concern is primarily interested in Egypt and Libya. The Russian company's main trump card is its wealth of experience in the exploration and production of blue fuel, as well as in building major gas pipelines. In recent years, both of these countries have shown immense interest in developing their gas sectors, and so the appearance of Gazprom here is entirely justified. In Egypt, the production volume of natural gas doubled in just four years, reaching 36 bcm at the end of 2004.

In November 2004, there was a meeting between Gazprom Head Alexey Miller and then Ambassador of the Arab Republic of Egypt to the Russian Federation Rauf Saad, at which the parties discussed the prospects for bilateral cooperation in the oil and gas sphere, as well as projects for the production, transportation, and processing of hydrocarbons. The details of the talks were not revealed, but two weeks later, Russian Prime Minister Mikhail Fradkov visited Egypt and stated that Gazprom might soon begin working in the country. Alexey Miller's visit to Cairo in March 2005 gave a new boost to cooperation development. The sides decided to cooperate comprehensively in several areas at once, beginning with geological exploration and ending with training Egyptian specialists for the oil and gas business at Russian higher education institutions.

It is a well-known fact that Zarubezhneftegaz, Gazprom's subsidiary company, is carrying out consultations with the Libyans regarding joint projects. What is more, even before the beginning of the official consultations, Gazprom became a co-investor of the British investment company SOCO, which in the spring of 2004 conceded to Gazprombank 54% of the shares of ODEX Exploration Ltd., which owns several licenses for developing oil and gas fields in Libya.

Israel, which has a shortage of raw minerals, could be another potential partner for Gazprom in the Middle East. Its proven gas reserves are estimated at approximately 45 bcm, and annual production does not exceed 100 mcm. So Gazprom is interested in this country as an importer of blue fuel.

For entirely understandable reasons, Israel does not want its energy industry to depend on fuel deliveries from the Arab countries. So neither Egypt, nor Libya, nor Algeria,

nor Qatar (the largest liquefied natural gas exporter in the world) are suitable strategic partners for it. In the interests of energy security, it is having to expand its horizons, whereby the nearest non-Arab exporters are Russia and Norway. Russia has certain advantages, since thanks to the Blue Stream project, Russian gas is already going to Turkey.

The Israeli side offered to lay a gas pipeline from Turkey through the Mediterranean, although the possibility of delivering this fuel in liquefied form from Russia or Turkey has not been excluded. The plans to build an offshore gas pipeline are quite ambitious and do not appear to be entirely in keeping with Israel's real needs. It is possible that Gazprom will not limit itself to Israel, but will look for other potential consumers of Russian gas, Libya, Cyprus, and possibly Syria being theoretical candidates. But here the political factor again insists on its rights, which could complicate movement in this direction. It is highly likely that Israel will nevertheless prefer tanker deliveries of liquefied natural gas.

Syria, which at one time imported oil and gas technology and equipment from the U.S.S.R., might step forward as the concern's potential partner. But as of today, gas production in this country is extremely low, and exploration is being carried out by Western structures.

In the Middle East, Russian companies are coming up against two-fold competition. Western corporations are competing with them as investors, and the producing states of this region as exporters. With respect to gas, Qatar and Algeria are the main exporters. The latter recently began exporting helium manufactured from natural gas, the price of which is constantly rising. But Gazprom also has its trump cards, which are allowing it to methodologically reinforce its presence in this strategically important region for the entire world economy.

#### ENERGY GEOPOLICY AND GAZPROM

Several significant events in international power engineering are related to Russia's active policy. One of these is President Putin's statement at the meeting of the Russian Security Council on 22 December, 2005 to the effect that Russia's strategic task is to become a leader in world power engineering and a leading exporter of oil and gas. In keeping with this, a new version of Russia's Energy Strategy until 2020 is being drawn up. The idea of uniting OAO Gazprom, RAO UES, and the Rosenergoatom state concern into a vertically integrated diversified holding company (as the nucleus of a future Eurasian transnational energy and fuel company) has been put forward.

State-civil capitalism is becoming Russia's business ideology, while top managers of state corporations own large sets of shares of the companies they head. In so doing, the tension in the conflict of interests in President Putin's administration is growing along the liberals-power-mongers line (D. Medvedev-I. Sechin, Gazprom-Rosneft), as well as in Russia's business elite.

Attention should be paid to the Russian-Ukrainian «gas war,» which was the first test for Russia's gas and oil export forces striving for continental domination, which have already been christened «Russia's energy weapon.» PACE came forward with an initiative to prepare a report on the use of energy resources for resolving political problems. It is also worth noting that one of the topics discussed in Davos was called «The Permissibility of Using Deliveries of Energy Resources as a Political Weapon».

Two approaches can be traced in the political leadership and executive vertical of the Russian Federation. The first

consists of placing the stakes on Russia's affirmation as a reliable energy partner for leading nations and its «special chair in the elite club.» Vladimir Putin has spoken of this many times, and this same goal was announced as a priority of Russia's representation in the G-8. The second approach is to use the «energy weapon» for making a new «thrust for influence,» for trying to recapture the ground lost in relations with neighbors, and for recreating a sphere of Russian domination in the post-Soviet space.

An increase in Europe's energy dependence on foreign deliveries was designated, which became obvious with respect to the uncharacteristically cold winter, increased domestic consumption in Russia and Europe, interruptions in deliveries of Russian gas to Europe, as well as Ukraine's «withholding» of gas intended for European consumers. Energy security was one of the main topics discussed at the G-8 summit in St. Petersburg<sup>10</sup>.

In the medium term, Europe can see no serious alternative to Russian gas. The hope of finding new fields in Denmark was not justified, supplies in the North Sea are running out, and the prospect of delivering gas from North Africa and implementing LNG projects in Europe is extremely vague<sup>11</sup>.

Gazprom's plans also speak of much. This company is planning to buy West European gas-distributing companies and, after purchasing the SEG (North-European gas pipeline) project, Gazprom, as political scientists note, might be renamed EuroGazprom without changing its lists of shareholders and managers.

But the series of difficult talks being held between the Russian and Ukrainian leadership, Gazprom, and Naftogaz Ukrainy and the leadership of Turkmenistan and Uzbekistan shows that an increase in the role of Russian deliveries will simultaneously raise the significance and cost (both political and strictly economic) of Central Asian gas in Gazprom's balance for Europe's energy security<sup>12</sup>.

Gazprom's purchase conception in Central Asian countries is aimed at diversifying the overall resource base of the Russian concern, as well as export, transit, and internal flows. Russia's political leadership is objectively compelled to balance its relations with the region's states as best it can, and Gazprom is striving to reinforce its presence, including by means of investing in exploration, production, and the transportation infrastructure.

The cooperation alternative, which Gazprom and Naftogaz agreed upon, essentially envisages creating a certain prototype

<sup>10</sup> At present, the EU is importing 40% of the gas it consumes, whereby more than 25% of all the gas it imports is of Russian (to be more precise, pseudo-Russian by means of re-exporting Central Asian gas) origin. It is forecast that in the next few years, the demand for gas in the region will grow, in particular due to thermal power stations transferring to this type of energy. An increase in demand under conditions of a reduction in its own production due to the exhaustion of proven reserves of gas will lead to Europe's dependence on gas imports significantly rising. The forecasted increase in demand in Western Europe until 2025 amounts to an average of 2.4% a year, and by 2025 demand could reach 730 bcm compared with 420 bcm in 2001. The share of import in so doing will increase from 40% to 70%. In this way, objective conditions are being created for reinforcing Gazprom's presence on the European market. For the future, the volume of Russian gas sales under current long-term agreements is determined at 2,0 tcm, which is approximately 7% of the company's proven reserves. Gazprom's annual minimum contract delivery volumes to Europe (without extending the current contracts) will reach 146 bcm by 2008, and the maximum volumes could amount to 178 bcm.

<sup>11</sup> See: I. Tomberg, «Proekt Severo-Evropetskogo gazoprovoda v geopoliticheskom kontekste,» *Mezhdunarodnaia zhizn*, No. 1-2, 2006, pp. 216-224.

of a CIS gas market, but its appearance, rules, and the roles of its participants have been determined without taking the Central Asian countries into account. Signing a five-side inter-governmental agreement among Russia, Ukraine, Kazakhstan, Turkmenistan, and Uzbekistan would be a safe way to create and develop a CIS gas market, since it would bind these states together with common obligations, guarantees, and concessions. But Russia and Ukraine are striving to limit themselves to bilateral documents only, including with Kazakhstan, Turkmenistan, and Uzbekistan, which is leading to an obvious imbalance in delivery volumes and transit possibilities.

At the end of 2005, Gazprom established ultimate monopoly over the international transit of Kazakh, Turkmen, and Uzbek gas. In this way, all of KazMunayGaz's blue fuel transit potential will fully depend on Gazprom's need for Turkmen and Uzbek gas. On the whole, the export flow from Turkmenistan and Uzbekistan is limited by the capacity of their own transportation system and of Kazakhstan's. Gazprom can participate in reconstructing a section of the Central Asia-Center major gas pipeline in Uzbekistan. What is more, an increase in the overall capacity of the CAC will largely depend on Turkmenistan's difficult-to-forecast stance with respect to diversifying export gas flows, particularly on the prospects for implementing the Turkmenistan-Afghanistan-Pakistan gas pipeline project and international audit of Turkmen reserves (the Dauletabad field).

In this respect, Kazakhstan's significance as Gazprom's partner is increasing, and when making a decision on modernizing the Central Asia-Center system, KazMunayGaz must be recognized as a strategic transit partner. It is possible to find denouement of the question of expanding the CAC with an increase in the presence of Kazakhstani gas on the European and CIS markets within the framework of KazRosGaz (export quota to the Far Abroad of 50% of the total volume of deliveries and 25% for deliveries to the CIS market).

But the price policy is in need of constant adjustment. Turkmenistan has long been insisting that its gas should be sold to Gazprom at the average European price minus transportation costs and the agent's stipulated equity<sup>13</sup>.

<sup>12</sup> Approximately 81% of Gazprom's proven reserves are in seven gigantic fields: Urengoi, Yamburg, Zapoliarny, Astrakhan, Kharasavei, Bovanenkovskiy, and Stockman. The latter three have still not been developed, the Urengoi has been developed by 60%, and the Astrakhan has limitations for environmental reasons (the local plant cannot cope with the sulfur discharge from the gas). Independent analysts confirm the presence of a systemic problem in the monopoly due to significant exhaustion of the existing reserves. It is forecast that the ratio of production and export growth could create certain difficulties for Gazprom as early as 2006-2007, since there are no serious prerequisites for a significant increase in the rates of its own production.

<sup>13</sup> In 2005, Gazprom purchased around 19 bcm of gas in Turkmenistan, Uzbekistan, and Kazakhstan. In 2006, purchases were planned for 25.8 bcm. Gazprom plans to purchase 9 bcm of gas in Uzbekistan in 2006 at 60 dollars per 1,000 cubic meters and a stipulated transit price through Uzbekistan of 1.1 dollars per 1,000 cubic meters 100 km. There are plans in the future to increase the import of gas from Uzbekistan to 17-18 bcm a year by means of developing three gas fields in Uzbekistan-Urga, Kuanys, and the group of Akchalak fields. The total volume of the company's investments in Uzbekistan is expected to be around 1.5 billion dollars. Beginning in 2007, Gazprom will purchase all the gas intended for export from Turkmenistan. The conditions of a long-term agreement envisage purchasing 60-70 bcm in 2007-2008 and 70-80 bcm in 2009-2010. But Turkmenistan's constant statements on raising prices and the five-year agreement signed with Uzbekistan make it understood that export from Turkmenistan in the next five years will remain at the previous level of up to 36 bcm.

Gazprom has also begun actively setting up a system of bilateral relations with Uzbekistan and Kyrgyzstan (later with Turkmenistan) by forming joint enterprises, which is also creating prerequisites for the active use of this factor by the Kazakh side when problems arise with Tashkent on price issues and with Bishkek on transit within the framework of KyrKazGaz.

As for Georgia the appearance of investors from Kazakhstan in the country fits in with Mikhail Saakashvili's plans, who is still looking more frequently for investment partners not in the U.S., but in the former Soviet republics. Georgia is in dire need of investments for developing its own economy, and Tbilisi is willing to consider any proposals on cooperation<sup>14</sup>.

It was presumed that Georgia would import up to 2 bcm of blue fuel from Kazakhstan every year for the next ten years. But after the price of gas delivered to Georgia went up, Gazprom prevented Kazakhstan from exporting to Tbilisi via its gas pipelines under an alternative contract. Nevertheless, Kazakhstan Prime Minister D. Akhmetov believes that such deliveries are possible if the price corresponds to the one Russia set for Georgia<sup>15</sup>.

The possible sale to Gazprom of a major pipeline belonging to the International Gas Corporation (100% share of the state) and passing through Georgia to Armenia will allow Tbilisi to replenish its budget (Gazprom is offering between 200 and 300 million dollars) and to reduce the price of gas delivered by the Russian holding company (servicing of the pipeline alone costs up to 8 million dollars a year). The country's leadership will consider this alternative in the event that Gazprom provides certain guarantees, in particular, gas deliveries for 25 years at a low price<sup>16</sup>.

Taking into account the forecasted three-fold increase in the production of Kazakh gas by 2015 from the 2005 level (from 28.7 bcm to 79.4 bcm), the Gazprom leadership must clearly recognize that most of the Kazakhstani raw material will be exported either via its pipelines and with its participation, or bypassing Russia through the Caucasus, as well as to China.

But forming a policy for exporting Kazakhstan's gas largely depends on the prospects for creating new gas-processing capacities, including gas-chemical. In the event of the successful implementation of gas-chemical projects in Tengiz and Karachaganak the expediency of building a gas pipeline to China seems dubious.

<sup>14</sup> In October 2005, AO Tbilgazi was declared bankrupt by the city court. The enterprise is subsidized by the Tbilisi Mayor's Office, which owns 96% of the AO's shares. AO Tbilgazi's debts for natural gas consumed in past years amounts to approximately \$5 million to Gazprom alone. Its directors say the reason for Tbilgazi's arduous financial situation is the enormous (up to 60-70%) losses of blue fuel in the gas networks, as well as the low collection of subscriber payments due to the mass falsifications of gas meter indications. Local experts add the company's bad management and internal corruption to these reasons.

<sup>15</sup> In 2005, gas went to the population of Tbilisi for 0.265 lari (\$1 = 1.79 lari) per cm. OAO Gazprom signed a contract to deliver 920 cm of gas to AO Tbilgazi in 2006 at \$110 per 1,000 cm. According to experts' estimates, the new price will reach 0.30-0.35 lari per cm for the capital's consumers.

<sup>16</sup> At present, all gas deliveries to Georgia are carried out via the Makat-Northern Caucasus gas pipeline. Gas consumption by Georgia amounts to 4.7 mcm a day in the summer and up to 7 mcm in the winter. The share of natural gas in Georgia's energy balance amounts to approximately 24%. The country's need for gas in 2006 is estimated at 2.25 bcm.

As we know, one of the main goals of the Kazakhstani authorities is to gain independent access to the end gas consumers. Of course, the matter primarily concerns Western Europe, but Georgia is also capable of becoming a precursor in this direction. The transportation of gas from Kazakhstan to this republic could be technically carried out only through Russia. Deliveries of Kazakhstani gas to the Georgian market via the KazRosGaz joint venture will make it possible for Kazakhstan to avoid Russia's discontent and opposition, which has its own gas interests in this state. What is more, Astana has serious trade arguments with Gazprom, in particular, contracts for the transit of Central Asian gas, which the Russian concern entered in Uzbekistan and Turkmenistan. In exchange for the favorable stable transit of these volumes (in 2007, they will amount to approximately 50 bcm), Astana could achieve independent export of gas to Georgia, and possibly to other CIS countries above the KazRosGaz quotas.

In this way, one of the foreign policy tasks is de-politicization of the hydrocarbon export problem and transfer to the adoption of precise and economically calculated strictly business decisions regarding the priority of export routes, which will be pragmatic regardless of the changes in the state strategy of the transit country partners (Russia, Azerbaijan, Georgia, and Ukraine).

The voluminous Chinese market deserves the keenest attention with respect to possible investment in production of the end product of refining and petrochemistry. The PRC needs Kazakhstan's oil and gas both for domestic consumption and for ensuring the export of valuable end products of refining, including to our republic. If this fact is not kept in mind, China could later become the same «unfriendly» exporter of fuels and lubricants and other products for Kazakhstan as Russia is<sup>17</sup>.

Our attention is drawn to the fact that to augment the resource base in Kazakhstan, the Chinese are aiming to purchase already proved assets which carry out real production (PetroKazakhstan, Nations Energy). In this respect, their competition both with Russian (LUKoil) and other foreign companies is inevitable, which provides Kazakhstan with much room for maneuver.

It is obvious that coordinated Kazakhstan-Russian policy with respect to hydrocarbon and electric energy export to China (and possibly also under joint projects on the PRC domestic market) would largely promote the development of the economic component of the SCO, which the Chinese side has recently been giving great significance.

The need for and possibility of raising the status of state-private cooperation in individual oil and gas projects to the level of state-inter-corporative partnership across the board, including in national projects (from programs to develop the Caspian's resources to the domestic fuels and lubricants market) are becoming increasingly obvious.

## CONCLUSION

On the whole, Russia is continuing to consistently and expediently move forward in the direction it has chosen by conducting its energy policy with emphasis on the raw material sector.

<sup>17</sup> The main consumers of Chinese oil refining and petrochemical products at present are Korea, Japan, Taiwan, the U.S., and Saudi Arabia. Russia also belongs to the top ten importers, purchasing 753,000 tons of these products in 2004.

At the APEC summit in Bangkok, Vladimir Putin positioned the Russian Federation as the main guarantor of energy security in the Asia-Pacific Region. Taking into account its domination in supplying the European states with energy resources and the designated contacts in this sphere with the U.S., this claim to leadership in the APR means a desire to throw open the window of opportunity that appeared as the result of the increased concern by oil importers about the stability of deliveries from traditional-Middle East and Africa-sources. The latest agreements on gas deliveries to the PRC are a new step in this direction. Russia is obviously striving to convert energy potential into greater geopolitical influence.

The Russian Federation is increasing the production of oil and gas with an essentially constant domestic demand, which is raising the question of new sales markets, particularly in the APR. By gaining access to these markets, Moscow will increasingly attract importers by raising the trade and energy dependence of consumers, which will play a certain positive role in bilateral and multilateral relations<sup>18</sup>.

But, when developing its own energy strategy, Russia is coming up against objective difficulties, which will not be that easy to resolve. Until recently, the capacities of Russia's major pipelines ensured the pumping of 300 million tons of oil a year from Western Siberia in the westerly direction and up to 100 million tons in the southerly and easterly directions. In so doing, the throughput capacity of all the Russian Federation's export oil pipelines amounted to 200 million tons a year. According to specialists' estimates, the shortage of capacities (taking into account transit) amounts to no less than 40 million tons of oil a year, and by 2010 will reach 120 million.

As Russian strategists believe, the role of the CIS countries on the world oil market is rapidly increasing and, if all goes well, the leading oil-producing republics of the Commonwealth will be able to ensure 25-27% of the demand of this market by 2010. By this time, the petroleum block on the CIS base will be able to gather allies around it from among independent exporters and, along with OPEC and IEA OECD, become one of the three regulators of the world oil market. But in order to do this, Moscow still has to coordinate the diverse interests of the former Union republics and form a unified energy policy for the alliance being created. What is more, the infrastructure existing within the CIS will have to be reconstructed, particularly with respect to transportation.

At the same time, all the talk about the possibility of Russia occupying a leading position on the world oil markets is still rather hypothetical. As already noted, it became a leader only in terms of the amount of oil it produces and exports. But the enormous export volumes do not allow Moscow to have an influence on oil quotas. By delivering oil almost exclusively to the Western European markets, which are extremely competitive anyway, it is impossible to set prices in other regions. In other words, the fact that Russia's energy resources are not present in the APR countries and the U.S. due to its transportation difficulties is preventing Russia from participating in the formation of world prices.

Russia's goal in Central Asia is to create a unified energy consortium under its direction, but this could have a negative effect on the ability of the Central Asian states to make independent political decisions. Gazprom's subordination of the gas transportation assets of these countries will ensure the Russian Federation full control over the industry, primarily over gas export, which will have several serious consequences. For example, Russia will become its largest importer, whereby it will use Central Asia's supplies both for its domestic purposes, and for re-export. It is possible that the Russian Federation will try to send this gas exclusively to its territory in order to maintain its own fuel and energy balance, and only partially to third countries in order to acquire profit from the transit of insignificant amounts of gas of the Central Asian republics. In so doing, Moscow will try to keep even these volumes to the minimum in order to prevent competition.

Russia's monopoly on the blue fuel market of the Central Asian republics will also have an impact on the European Union, which will be able to obtain Central Asian gas only with Gazprom's intercession. In other words, in the end, the Russian Federation will acquire the opportunity not only to dictate the price of its gas to consumers from CIS countries, but also impose beneficial conditions for it on the transit states of Russian blue fuel (Ukraine and Belarus), which are large importers of this product.

Russia's seizure of the designated gas sectors will lead to gradual ousting of other countries' companies from the region, which are carrying construction and service work as well as delivering gas and other equipment. Over time, Moscow's expansion could also spread to the oil sectors of these republics, that is, Russian companies will be able to squeeze Western oil companies out of the region's states (primarily out of Kazakhstan).

So, Moscow has come to the conclusion that the Russian Federation currently has the unique opportunity to restore its geopolitical influence in Central Asia. By joining the OCAC, Russia has recognized the legitimacy of Central Asian integration. Russia went on to achieve a merging of the OCAC and EurAsEC by essentially taking control over the integration (including energy) processes in the region. This was essentially an attempt to find an answer to China's economic expansion in the region, which means that Russia is also striving to expand its economic trade cooperation with its countries.

With respect to Gazprom's role, two aspects should be noted. First, the company is developing increasingly along the model of a classical transnational company with all the ensuing consequences for its activity on foreign markets. Second, the doctrine of Anatoli Chubais' Liberal Empire, in the spirit of which Gazprom is acting, can be surmised in the concern's policy. At present, the company is one of the most important tools of Russia's global geo-economic strategy.

Kazakhstan is still the Russian Federation's most valuable partner in its geopolitical and geostrategic priorities in the Central Asian region. It is obvious that in the future Russia will assume an active position with respect to Kazakhstan.

<sup>18</sup> In correspondence with Russia's Energy Strategy until 2020, there are plans to increase oil production to 445-490 million tons in 2010 and to 450-520 million tons in 2020.