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# At the Crossroads of Civilizations: STADESCA, a Pact of Stability, Development and Security for Central Asia

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Since 1992, Central Asia has been a new *crossroads of civilizations*. To ensure comprehensive development and regional security, Central Asia is interested in implementing the Pact of Stability, Development and Security.

Situated in the heart of Eurasia, this region occupies more than 4 million square kilometers, which is 20% larger than India's territory. In 2004, around 58 million people lived in Central Asia. This is equal to 5.6% of India's population and 17% less than the population of Iran. Stretching eastwards from the Caspian, this region unites five countries that are different in terms of territory and demographics. Kazakhstan and Uzbekistan lead in these regards. They are followed by Kyrgyzstan, Tajikistan and Turkmenistan.

Boasting huge oil and gas resources, this *Eurasian Center* needs strong security to withstand the growing appetites of its neighbors: Russia, China and Iran. Moreover, it is a tasty morsel for great empires rivaling each other in an attempt to become the political and military partners of the region in order to receive their share of the energy pie.

This new crossroads of civilizations is the place where four political and economic powers with global ambitions meet—Russia, China, the US and the EU—giving rise to the *new multi-polar order of the 21<sup>st</sup> Century*.

STADESCA, the Pact of Stability, Development and Security for Central Asia, is supposed to unite the five Central Asian nations under the guidance of France and the European Union. It is expected that representatives from neighboring countries—Azerbaijan, Russia, China, Iran, Afghanistan and possibly India, Pakistan and Turkey—might be invited to discuss certain issues together with STADESCA countries. The organization is supposed to receive support from international and regional organizations: the EU, OSCE, CIS and SCO.

Five task forces are to be set up within STADESCA in cities of the five countries:

- a regional security task force;
- an environmental protection task force;
- a task force for issues related to forming rule-of-law states, justice and internal affairs;

- a task force for organizing transport operations; and
- a task force for analyzing economic development problems.

## FIRST TASK FORCE:

### REGIONAL SECURITY IN CENTRAL ASIA

STADESCA's first task is collecting and publishing agreements, accords and treaties signed between at least two of the region's countries. This will be implemented using the model applied to Central and Eastern Europe, and the Balkan Peninsula. Collecting and publishing agreements and treaties signed by at least one regional country with neighboring states—Iran, Pakistan, Russia, China or new actors such as the EU and US—is a diplomatic priority.

STADESCA will help to analyze agreements' provisions, and choose and eliminate those that do not meet modern requirements. The Pact is expected to correctly evaluate the appetites of the great nations that are striving to expand their political and military influence and win new markets.

We can speak of the coincidence of interests of the four nations that are competing against each other for economic or military advantages. A new strategic multi-polar order has been evolving at the crossroads of the civilizations with Russia opposing China, and the US competing against both Russia and China as well as the EU, a new actor on the global arena.

Other regional nations may play their own part in this concert of peace and development: Iran, thanks to its geographic location; Turkey, due to historic reasons; and Pakistan and India, thanks to economic opportunism.

Introducing a flexible border regimen may become an issue for discussion among the neighbors. For this purpose, a coordinated system may be set up with a regional *training center for border guards*. The introduction of an automated information system and a computer database of criminal suspects in the destination country may facilitate security at interstate crossing points. Confidence-building measures need to be developed between neighbors, using the example of the recently signed Uzbek-Kyrgyz agreements on the withdrawal of landmines.



A census of ethnic groups should be taken to reduce the border problems and human drama that originated in the 1990s when the collapse of the USSR was followed by the appearance of new states. This approach will simplify the free movement of people in the so-called expanded neighborly space.

The five countries should recognize and protect the rights to residence and life of various religious and ethnic minorities. There must be no legal regimes discriminating in any way against minorities in any of the Central Asian countries. Thus, the people responsible for negotiating under the Pact must develop common administrative levers to make the lives of ethnic minorities easier.

Fighting the new challenges facing the international community, such as trafficking in drugs, humans, dangerous substances and international terrorism should be in the spotlight of the five nations' cooperation, supported by key countries. This cooperation should lead to transparent information exchange between special services in what concerns criminal groupings, drug trafficking, paramilitary groups and terrorists. The participants should use European documents as a basis for developing legal measures to prosecute, arrest and render a sentence to violators of civil and social peace. The Pact developers might propose establishing a *Central Asian Regional Center for Fighting Terrorism and Organized Crime* supported by the EU, OSCE, CIS and SCO, and possessing jointly coordinated police and military forces.

STADESCA may also foster the establishment of the **Central Asian Institute for Training Peacekeeping Personnel** to train rapid response forces, fire, paramedic, sanitary and humanitarian services, using the example of similar schools established in Africa. This will help the countries to jointly eliminate the aftermath of natural disasters or destabilizing actions by terrorist groups. To prevent possible contingencies caused by external aggression, the countries might set up a regional *control and warning structure* allowing joint police and, possibly, military operations to take place promptly.

For a *new culture of democratic security*, based on a corresponding legal framework, to be spread, the population should be aware that security maintained by police, legal measures or military forces (if the first two fail) is crucial. Hence, the need to establish the **Central Asian Academy of Security and Defense** for top managers in the economic, industrial and banking sectors, publicly controlled spheres such as education, defense, justice, police, health care and finance, as well as for parliamentarians. To make research on global security more effective, certain elements of the French organizational models by IHEDN and ENHSI should be employed.

In addition, military structures of limited scale, including Special Forces of at least two countries need to be established. This will give weight to Central Asia's voice in regards to peacekeeping operations.

In the regional security sphere, STADESCA should give a new impetus to the Council for Interaction and Confidence-Building Measures in Asia (CICA) initiative made by Kazakhstan in 1992 to create a regular forum for the Central Asian countries.

#### THE SECOND TASK FORCE:

##### ENVIRONMENTAL SECURITY IN CENTRALASIA

The first objective is revealing threats to the ecosystem resulting from the headstrong agricultural and indus-

trial policies that never gave a care about nature. A line should be drawn between sensible development and command methods of management that degrade the soil and water resources. The flourishing of the cotton industry—resulting in a true ecological catastrophe—needs to be looked at from a different perspective.

Water resources, especially fresh water, should be monitored in Central Asia as soon as possible. Otherwise, the uncontrolled use of these resources might cause irreparable harm to the ecological balance in Central Asia. The amount of water necessary to maintain life functions, agriculture and stockbreeding should be calculated. The potential of the Caspian Sea, Aral Sea, river basins, internal lakes and mountain dams should be considered. This may discredit the existing methods of soil cultivation, but foster rational water use thanks to cooperation with foreign experts.

Experts should study the opportunities for creating hydro-basins jointly operated by two or more states, depending on their geographic location and the importance of the water resources. They should discuss the entire process: the extraction, processing and distribution of water. They have to envision the subsequent reprocessing of used water for wise national water management.

The existing hydroelectric networks should be studied to reinforce technical control of water drainage facilities in order to prevent accidents. The production should be harmonized with the regional population's needs in order to prevent clashes of interests. The Pact should provide for the sharing of fresh water between regional countries. States with considerable water resources, such as Kyrgyzstan and Tajikistan, could exchange water for the products they need most.

The Caspian Sea, a cornerstone of regional controversy touching upon the interests of two Central Asian states—Kazakhstan and Turkmenistan—and Azerbaijan, Iran and Russia must become a zone of peaceful development. It should be analyzed in detail from the standpoint of public and economic law, taking into account its biological, and oil and gas resources. The issue of the Caspian's status may be entrusted to the Arbitrary Commission of the Caspian Sea, with the direct participation of France and support from the EU.

#### THE THIRD TASK FORCE:

##### DEMOCRATIC SECURITY IN CENTRALASIA

STADESCA is expected to develop civil culture based on civic education. It should provide school programs for training students for fifteen and more years. Information on human rights as well as the rights and obligations of citizens in a rule-of-law state should be spread among youth. This will erase historic, religious and ethnic differences, capable of arousing anxiety among the Central Asian population. Free elections should be held to as an obstacle to undemocratic methods of electing governments. A green light should be given to legal democracy. Documents facilitating political debates between candidates should be prepared. This is the only way to make democratic and rule-of-law values take root in the hearts and everyday lives of Central Asian people.

The Pact is to envisage organizing and operating *national central authorities* to serve common interests. The normal functioning of *local administrations*, administrative divisions, and future decentralization are to be recommended. The Pact will help young states define the authority the center can give to the periphery: social and



medical services, local finance, primary education, and environmental protection. The Pact should support the democratic election of local political administrators to increase the responsibility and efficiency of personnel. Administrative staff should be encouraged to become more competent and open to the public.

The Pact should study the legal systems of the five states in detail to find out how to make them operate efficiently and in conformance with legal standards. Should any justice problems arise, the Pact should recommend introducing non-legal methods of resolving disputes. Direct trade and criminal remedies between parties in a conflict, civil intermediation and mandatory arbitration to hasten private conflict resolution will also be proposed.

Codes must be developed for the hiring of various categories of officers such as court secretaries, investigators and prosecutors, i.e. those responsible for protecting public order. The qualifications and performance of court officers should be checked regularly. Each of the states should have a national structure similar to the Supreme National Judiciary Council, half of which is comprised of delegate judicial representatives, one-fourth of academic specialists, and also Parliamentarians elected within assemblies. This will guarantee democratic procedures for hiring court officers and for ensuring fair career growth.

The formation of judicial authorities of the first and second instances, which were non-existent in Soviet times, should be supported. A State Council with binary functions should be established. It should have administrative functions and provide legal consultancy to public agencies. The Pact calls for cooperation with the Council of Europe, Strasbourg, and France, a country with developed democratic legal traditions.

On a more global scale, criminal law standards and procedures should be defined in the Codes, and an Administrative Code developed to clearly define the mandates of public agencies in their relations with individuals.

Striving to maintain peace and regional security, the Pact's developers should evolve criminal provisions allowing for the prosecution, arrest, passing of sentences and punishment of grave violators of public order. Police and judicial cooperation measures should be taken to stop crimes that are committed in one country of the region, but affect security in the other four countries. Efforts should be combined to fight organized transnational crime and trafficking in drugs, humans, dangerous substances, weapons and missiles. Any manifestation of terrorism threatening lives and the very existence of a state should be fought against.

To guarantee domestic and foreign security, regional measures should be developed within the Pact, such as creating a **Central Asian structure for coordinating the fight against transnational threats**. This security institution could be named **Centrasiapol** and comprise a standing staff committee, police forces, and investigators appointed in advance with notification in 24 or 48 hours. A regional school for training customs or border officers might be set up to train specialists capable of acting jointly based on common legal principles that streamline entry control and strengthen the internal security in all the countries of the region.

#### THE FOURTH TASK FORCE: TRANSPORT SECURITY IN CENTRAL ASIA

The lack of direct access to major transport arteries results in economic vulnerability. Resolving this problem is the primary objective of the countries that wish to export

their production. The situation is especially acute in terms of oil and gas transport. Defining the oil transport routes depends on the choice of trade partners in the medium-term perspective. Therefore, the political and economic solution will have a great impact on subsequent development. Its energy potential makes Central Asia a place for strategic rivalry between the great nations, which are even ready to use military force to secure their supplies. This is evidenced by the fact that there are US, Russian and even French military bases in the region. To ensure regional security, the developers of STADESCA should provide for creating a corresponding logistics network. They should study the condition of roads, railways, and sea and river routes prior to considering transport routes for energy products.

*The regional road network* has been inherited from the Soviet era and has access to large Russian cities. Before building systems of intraregional and continental highways connecting Central Asia with China, Iran and India, the network should be upgraded by expanding and reinforcing the roadways. The objective is to build a road network connecting East and West, going from China to the Western world to export large and heavy goods with a low prime cost and at a low price.

It is necessary to analyze the feasibility of intermodal transport, combining land routes with the maritime traffic in the Caspian and, ultimately the Mediterranean basin. This system, if created, should be harmonized with the TRACE-CA program. The creation of new roads will ease the burden on Russian roads by accessing the southern territories across Iran to Turkey and Europe. In this regard, the EU should take part in these economically important projects, taking into account civil engineering and financial nuances.

*The railroad network* should be reorganized taking into account the needs of Central Asia—previously, the network was oriented to the USSR's center. It would be logical if the countries created a high flow rate railroad system, as proposed by the Kazakhstani Transport Minister in December 2004. Under his proposal, this system would be distinguished from the Trans-Siberian system and allow for the direct transportation of Chinese equipment, IT and textile goods to the European market. The five nations should pass a single railway bed standard, and single track and crosstie quality requirements, and purchase locomotives and cars abroad or produce them domestically. Thanks to such investments, the countries will be able to overcome their unfavorable geographic location and transform this disadvantage into an element of geographic dynamism. It would be mutually beneficial to establish contacts with companies dealing with civil engineering and the production of railroad materials.

Together, representatives of the five countries will analyze the importance of river and sea transport and create a regional organization for joint river and sea management, encouraging neighboring countries to participate, if needed. Moreover, facing the need to upgrade the public transport networks, they will be able to establish a structure that will require low-cost analysis and calculations by foreign investors and industrialists.

The energy-hungry great nations that invited themselves to the new crossroad of civilizations are closely tied to the oil and gas-rich countries. The Central Asian states are aware that the political tolerance the West demonstrates is nothing but hypocrisy masked by diplomatic and economic interests. Therefore, the Central Asian countries need to hold serious negotiations with third coun-



tries and interested companies to ensure that their short-term and medium-term policies meet national interests. The Central Asian countries face attractive proposals by foreign companies striving to obtain long-term control over resources for a long period. The choice should be made in favor of proposals for the construction of gas and oil pipelines. They need to quickly, but clearly decide which foreign partners they will choose and, therefore, opt for a particular trade and political part of the world. Thus, analysts from the STADESCA team will turn to an independent assessment of production and economic feasibility so that decision-making on the part of the Central Asian states is easier.

#### **THE FIFTH TASK FORCE: SECURITY THROUGH DEVELOPMENT IN CENTRAL ASIA**

The STADESCA developers should make provisions regarding economic and social development in Central Asia. They are supposed to analyze the economic, financial and trade agreements signed by each country, such as the framework cooperation agreements among Russia, Ukraine, Belarus and Kazakhstan signed in September 2004. The developers need to consider the means and instruments for cooperation, which are still in the phase of declarations of intentions. Economic development is, above all, based on people who are well educated and ready to receive fundamental and technical know-how. Therefore, educational activities launched in the Soviet times must be continued to ensure a good level of productivity. Moreover, a common historic, political and economic approach should evolve to prevent possible conflicts between the peoples of Central Asia. Civic education must be made available in Central Asia to persuade youth to take part in regional security forces and to guarantee economic development. Vocational training must be activated to shape a group of highly skilled technical personnel ready for active work. Higher education to European standards and coordinated research between the neighbors needs to be supported. To prevent the countries from isolation, learning foreign languages should be fostered. It would be very useful to intensify European language education, for instance, French, utilizing the joint efforts of the French Alliance and AEFÉ. This might nudge students to take part in the student exchange programs ERASMUS MUNDUS, providing them with the opportunity to study at European universities thanks to scholarships provided by ECTS. European universities may be encouraged to cooperate in areas in which there is a deficit of skilled human resources, such as law, within the TACIS or Joint European Programs (JEP).

Secondly, it is essential to review the production methods in agriculture and stockbreeding, taking into account the food demand in the region. As is known, these methods were shattered in the region during the Soviet era as a result of command economy and natural disasters. To obtain a favorable result, it is crucial to pay close attention to human resources training for the agricultural sector, training people to maintain high productivity, while not disturbing the ecological balance. Farmers need to have access to information on seeds of new generations, production methods, safe fertilizers, the automation of farming production and processing. By rationally using water resources and seeds adjusted to local conditions,

the countries could contribute to boosting the profitability of agriculture and meeting the food demand of their people. Orchestrated cooperation is needed with possible formalization of standards for farming, stock-breeding and processing of agricultural produce under agreements and treaties to exchange farming produce between the regional countries. A project for the agricultural and environmental community in Central Asia could be developed and further included in the regional agreement on cooperation in agriculture and environmental protection.

Thirdly, STADESCA should include defining the key industrial development priorities in the region, based on the complementarity principle to eliminate unnecessary competition. It should study investment opportunities for the World Bank, EBRD and private foreign banks. It should support establishing joint ventures to marry foreign finance and know-how with national production opportunities, thus guaranteeing employment and profitability on the spot. The Pact needs to evaluate the economic, financial and social feasibility of industrial projects given the existing demand and human resources. It could also provide recommendations on signing agreements between Central Asian companies and foreign investors. The Pact must, first and foremost, consider the complex issue of energy supplies and the feasibility of building atomic power plants, evading any type of political and strategic distortion and cooperating actively with European companies under the guidance of the EU and IAEA.

Another issue for consideration is constructing a plant to assemble automobiles and, subsequently, upgrading it to a full-cycle automotive works under European licenses or as a joint venture with European manufacturers. The project could target not only the Central Asian market, but also those of other Asian countries, to adjust the investment needed and commercial potential of the market.

Lastly, Pact developers might propose creating a regional mechanism for exchanging opinions, investment and cooperation in the economic, financial and industrial sectors. They could establish a standing secretariat comprising representatives from the five countries. It would also be feasible to hold conferences for industrialists and foreign investors, private banks and specialized international organizations at least twice a year.

Developing STADESCA is important for regional countries and involved outside players. Its successful implementation is tied to cooperation with the EU as a whole, and France, in particular. The division of the Pact into task forces facilitates comprehensive analysis and understanding of the problems related to stability, development and security in the region. Proposals drafted within the Pact should have a positive impact on the future Eurasian Center politically, legally, economically and militarily.

The objective of STADESCA is to develop a common response to economic, political and strategic challenges in the region. The developers of the Pact pose the tasks of searching for and providing solutions conducive to peace and successful development in the five countries, for these countries' own sake and harmonious relationships with their neighbors. STADESCA is supposed to make the new crossroads of civilizations a place where regional countries meet, discuss problems and cooperate with global powers, the EU included. Therefore, the Pact will endow the Eurasian Center with the great responsibility and honor of becoming the core of the new strategic multi-polar order of the 21<sup>st</sup> Century.



# Ethnic-Political Aspects of Central Asian Stability

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**I**nterethnic relations, especially along Uzbekistan's borders, are one of the main factors affecting Central Asia's regional security. The multiethnic character of Uzbekistan's provinces means that the possibility of an interethnic crisis, arising from territorial claims and water problems, is always present<sup>1</sup>.

Geographically, Central Asia is in the middle of Eurasia, meaning that the interests of many countries intersect here. As such, the republics of Central Asia are not the only governments whose policies affect the region's security. Instead, the regional stability of Central Asia depends on a variety of *internal and external* factors. The internal factors can be summarized as follows: interethnic relations; territorial pretensions; the dense population of certain parts of the region; water problems; and religious factors.

External factors may have a religious, cultural or economic essence. Some countries, in attempting to promote their interests in the region, rely on cultural or religious ties. Other countries emphasize economic relations. In all cases, however, economic issues remain the main and definitive factor.

When speaking of internal factors, it is necessary to state that many of these issues have a historical origin. For example: all of the territorial pretensions appeared after nation-state delineation in the first quarter of the 20<sup>th</sup> Century. In order to rule more easily, the Bolsheviks divided the region into five separate countries. According to the famous orientalist, Vassily Bartold, although some of the local ethnic groups were not ready to build their own state, the Bolsheviks nonetheless made them the titular basis of new nation-states<sup>2</sup>. In theory, all of these republics had sovereignty, with a constitution and a name, but in reality they were ruled by the Communist Party from Moscow.

The process of drawing borders between these republics was also problematic. During delimitation, some of the region's ethnic groups remained outside the administrative borders of their alleged "homeland". As a result, the ethnic map of the region does not correspond to its political map. Some researchers, in their discussion of regional problems in Central Asia, say that the current situation could take on a new form at any time in response to the foreign policy of

the great powers. These researchers emphasize the region's water, border and interethnic questions. Some of them also raise the Caspian question, a foreign policy issue not only for the states of Kazakhstan, Russia, Turkmenistan, Azerbaijan and Iran, who border the sea, but also for distant countries that have interest in the region.

Although local media providers often ignore the conflicts over ethnic meaning among the ethnic groups of Central Asia, international media sources have published a number of articles that discuss territorial claims between the republics as well as interethnic problems in the region. The consensus of public opinion in Central Asia is that such publications inflame already negative attitudes between the region's ethnic groups. Common to these articles are reductive analysis and judgments on the part of the journalists. Though the ethnic question is approached from many different angles, it is generally done without regard for scientific validity or objectivity. It can be concluded that while the issues of interethnic relations or territorial conflict are analyzed from different sides, many of these analyses are provocative articles that contribute to the destabilization of the region. It can also be affirmed that the interethnic question is of great significance for the maintenance of regional stability and therefore requires in-depth study and impartial assessment.

Regional problems do not occur in and of themselves; their primary causes always stem from history. To understand the essence of the real ethnic-political card of Central Asia, it is necessary to address the historical and geographical distribution of Central Asia's ethnic groups and study it from the period of nation-state delimitation, which was conducted in the 1920s. Since the collapse of the Soviet Union, new causes of chaos in the region have appeared and are rising.

The communists skillfully used a "divide and conquer" strategy of separating the locals of different nationalities in the hasty formation of national republics. V. Volkov, Director of the Institute of Slavic and Balkan Studies at the Russian Academy of Sciences, agrees that during nation-state delimitation many mistakes were made and that they appeared especially in Russia and Central Asia<sup>3</sup>. The German scientist Herbert Diter accedes to this thought and in the article "The

<sup>1</sup> Жалилов А. Исследование этнотерриториальных аспектов стабильности в Центральной Азии. // Международные отношения. № 2. 2002. С. 33-40. (A. Zhalilov. Study of Ethnic-Territorial Aspects of Central Asian Stability // International Relations, #2. 2002. Tashkent)

<sup>2</sup> Архив АН СССР, ф. 68. Бартольд Василий Владимирович, оп.1, ед.хр. 85. (The Archives of the Academy of Sciences of the USSR, f. 68. V. Bartold, Register 1, Stock Unit 85)

<sup>3</sup> Волков В. Этнокрапия - непредвиденный феномен посттоталитарного мира // Полис, N 2, 1993, с. 42. (V. Volkov. Ethnocracy: the Unpredictable Phenomenon of the Post-totalitarian World // POLIS, # 2, 1993, p. 42)



Regional Integration in Central Asia", he asserts that the interethnic problem is one of the main questions affecting regional security in Central Asia<sup>4</sup>. In his judgment, the present inter-republic borders do not grow from the historical development of the republics, but were created by hasty delimitation. Delimitation lasted ten years and, in this process, many national leaders perished in an unsuccessful struggle to preserve Central Asia as a unified state. The aforementioned publications, which have increased in number since independence, in many respects express the interests of external political forces, which attempt to saddle local ethnic groups with an eternally insoluble problem.

Uzbekistan is a unique country that shares borders with all of the former Soviet Republics. In almost all of the border areas, the local ethnic groups of Central Asia live together. They have the same history, and similar cultures, religion and language. Nowadays, the term Central Asia has only geographical meaning, but before the October Revolution there was governmental unity as well. While there were multiple different local power centers, located in such historical cores as Tashkent and Samarkand, the Bukharan Emirate had become the region's de facto leader as far as foreign relations were concerned. To rule more easily, the Bolsheviks divided the region into five separate republics<sup>5</sup>. This process, i.e. the delimitation, was conducted without regard for local traditions, religion, culture, etc<sup>6</sup>. After the completion of delimitation, some ethnic groups were deprived of their historical lands. In some places the same ethnic group now lives on both sides of the border, or a number of different ethnic groups live in one area. For instance, Osh is in Kyrgyzstan, Khojent is in Tajikistan; both border provinces of present day Uzbekistan<sup>7</sup>. In certain cases, the border between Kazakhstan and Uzbekistan will run right through the middle of a family's living room. One family had their house in Uzbekistan, and their backyard in Kazakhstan. The family's toilet was in an outbuilding in the backyard, and when people used it they would say "I'm going abroad".

Since the collapse of the unified Soviet economic system, a number of problems related to ethnic relations, ethnic policy and minority rights, and customs systems have begun to appear. In spite of generally good relations between the Central Asian republics, some of these problems can occasionally become extremely intense. Politicians assert that the Fergana Valley is the basic point of regional stability, where there are literally explosive ethnic contradictions. Thorough research of these problems is needed to analyze the issue. Today these questions are widely studied at scientific and political centers not only in Central Asia, but in many foreign countries as well.

As a result of the complex political processes of the last ten years, precise regional problems have formed, and the great necessity of protecting the republics from real threats is felt. According to local (Central Asian) scholars, these fears do not come from speculative reasoning. The last few years have brought to the forefront several problems that were initiated from the outside, but which

find a real embodiment in the region. Accordingly, the present situation requires steadfast study of the state interests of the republics. Such a study would examine what the interests of the five republics are, and attempt to ascertain what factors have the potential to harm or help the republics in their pursuit of these interests. It would also look outside the region, and attempt to discover what interest have foreign powers – for example, China, the United States, and Russia – in Central Asia, and how these varying interests might be in conflict with each other. Lastly, it would examine not only how foreign powers exploit cleavages within Central Asia when in pursuit of their policy goals, but also how Central Asian leaders attempt to promote their own interests by taking advantage of policy conflicts between the great powers. Today, in light of the short geopolitical history of Central Asia after independence—which has nonetheless included political turmoil in the south of Kyrgyzstan, in Tajikistan and in Afghanistan—a sober estimation of ethnic-political and territorial problems is necessary.

### THE GEOPOLITICAL CHARACTERISTICS OF THE REGION

Before proceeding to analysis of these issues, it is necessary to outline the geopolitical characteristics of the region inside "Greater Central Asia". It will be useful, first to understand the reason for the transformation of ethnic questions into political questions, and second to give partial answers to the question of the actualization and revival of ethnic-political factors in our region.

Central Asia is the center of the Eurasian continent, a huge territory with more than 50 million people. The region borders such Great Powers as Russia and China, as well as increasingly influential countries, such as India and Iran. The length of the external borders of the Central Asian republics is more than 20,000 km. The southern parts of the region are the most complex from the point of view of geopolitical processes, which in light of recent events (Osh, Kokand and Parkent events, continuing illegal trade in border areas) play a determining role for strategic balance not only inside the region, but also worldwide. Despite the destruction of the international terrorist bases in neighboring Afghanistan, the possibility of threat to the region is still present.

On the other hand, enormous stocks of natural resources, along with favorable geographical and climatic conditions, open colossal economic opportunities. For example, Kazakhstan has proven oil reserves of 16 billion barrels and might have an additional 30 billion barrels both onshore and under its portion of the Caspian seabed. Significant oil reserves have prompted the world's oil majors to play an active role in the development of Kazakhstan's oil reserves.<sup>8</sup> The region is also a potential new market for multinational corporations.

Zbigniew Brzezinski writes that from 1993 to 2015 the volume of consumption of energy resources in the world will grow by 50%; this creates huge pressure to study and

<sup>4</sup> Герберт Дитер. Региональная интеграция в Центральной Азии. - Берлин: ГФМР, 1995. (in Russian)

<sup>5</sup> Масов Р. История топорного разделения. Душанбе, 1991, с. 5.

<sup>6</sup> Магидович И. Административное деление. Население. Материалы по районированию Средней Азии. Кн. 1. Территория и население Бухары и Хорезма. Часть 1. Хорезм, Ташкент, 1926, с. 174.

<sup>7</sup> Ф.Толипов. Границы государства и границы самоопределения: политика безопасности и политика национализма в Центральной Азии. <http://ftolipov.freenet.uz/borders.htm>

<sup>8</sup> Author: BISNIS Representative in Kazakhstan, September 2001, <http://www.bisnis.doc.gov/bisnis/isa/010917kazoilgas.htm>



open new energy sources. In this connection, the Central Asian region—rich in energy resources and at the same time unstable in its ethnic-territorial situation—could become a stage for global antagonism.<sup>9</sup> Briefly, Central Asia is attractive in many ways, and therefore the Great Powers will try to develop their geopolitical and economic interests in the region.

From a geographical perspective Central Asia is on the “line of scrimmage” of a geopolitical game, in which the two most powerful players are the USA and Russia. Antagonism between “core” and “periphery” has continued on the whole Eurasian continent for centuries. The interest of the USA, China, India, Pakistan, Iran and Turkey in the character and direction of geopolitical processes in Central Asia is also growing. From time to time, some foreign powers try to play the religious and/or “ethnic-political cards” of Central Asia. Hence, the outbreak of geopolitical problems in Central Asia (in this case the possibility of an ethnic-political crisis) is only one part of that long antagonism, and therefore, the creation of a crisis depends on the strengthening of struggle or a change in the strategy and tactics of the parties.

The ethnic features of Central Asia require special attention and in-depth analysis. Ethnic-political tensions are explained by discrepancies between the ethnic map of the region and the political map. Along all of the region's borders, portions of the titular ethnic group of one republic will live on land belonging to a neighboring republic, and the republics use this fact as a basis for making territorial claims to one another's land. This is the case in the southern territories of Kyrgyzstan, Kazakhstan, and also in the eastern and northern provinces of Tajikistan. In Kazakhstan, more than 50% of the population is Slavic or other non-Kazakh nationalities. Furthermore, delimitation between the republics is not yet finished, and it has disputable moments. The complexity of the realization of delimitation in the region is explained by the inaccessibility of some boundary sites between republics. Delimitation between Uzbekistan and Turkmenistan, and also between Uzbekistan and Kazakhstan has been finished successfully. However some disagreements could still arise regarding the specification of borders in the mountainous districts between Uzbekistan, Kyrgyzstan and Tajikistan.

Typically, intergovernmental commissions discuss and resolve many of the questions between the republics of Central Asia. Such commissions are gradually resolving questions of external-political or even of military and technical character. There has been little public discussion of these issues in Central Asian media sources, thus most Central Asian citizens obtain their information on these issues from media sources based in Russia. The strengthening of external factors means that increased attention is being paid to these interethnic questions. This is the explanation for the increase of articles in foreign mass media, in which interethnic problems are discussed. But for valid conclusions on the ethnic-political question it is necessary to address the historical ethnic map of the re-

gion. This article is an attempt to present such a scholarly viewpoint on the ethnic-political question, and hopefully to counter some of the ill thought-out views that have become too common in articles on this topic.

#### AN ETHNIC CHARACTERIZATION OF CENTRAL ASIA

The multi-national state is a not-uncommon variety of societies, but the strengthening of geopolitical processes in 20<sup>th</sup> Century has turned it into a strong political implement. The phenomenon is sometimes used as a tool to pressure or ethnically polarize a country or a region, with the purpose of realizing a particular geopolitical or economic plan.

In multiethnic societies there are disputes on ethnic grounds as to which side ostensibly is in the right. Should conflict occur, both sides attempt to claim the moral high ground, perhaps by claiming that the other side was responsible for precipitating the clash, or perhaps by claiming that they have a historical claim to a disputed territory. In other words, in such regions leaders will invoke various historical or territorial factors when pursuing national ambitions.

In the opinion of Central Asian experts, the region has grounds for ethnic-political and territorial problems, which could result from the following factors:

- First, the complex ethnic structure of the frontier areas;

- Second, friction between the republics based on the official policies towards each other;

- Third, internal government policies to the benefit of one ethnic group and to the prejudice of others<sup>10</sup>;

- Fourth, complex arrangements between the republics for the distribution of water resources of the Syr Darya and Amu Darya basins<sup>11</sup>;

- Fifth, the struggle between the Great Powers for the rich natural resources of the region as a consequence of a possible increase in global energy demand.

A major aspect of Central Asian security is the maintenance of interethnic consent in the republics in the face of these factors. All of the republics are multinational, with the titular nation of the republic living alongside other Central Asian ethnic groups as well as a Russian-speaking population and other ethnic groups. Generally the principles of consent and being good neighbors that provide for the development of bilateral relations between the republics also characterize local interethnic relations in the region.

The multi-national demography of the Central Asian countries dates from the first quarter of the 20<sup>th</sup> century, and the history of resettlement of ethnic minorities to the region is well known. For example, almost all the Russian-speaking population in the republics arrived during the period of Soviet authority, either for the establishment of the Bolshevik authority or under the pretext of developing a national economy or by deportation. Thus, during the so-called poly-ethnization process under Soviet authority, the national structure of the region increased to 110 ethnic groups.

<sup>9</sup> Збигнев Бжезинский. Великая шахматная доска. Москва. “Международные отношения” 2000. С 149 - 163.

<sup>10</sup> Демократизм, национализм и регионализм в Центральной Азии. Центральная Азия и Кавказ, № 4, 2000

<sup>11</sup> Усубалиев Е., Усубалиев Э. Проблемы территориального урегулирования и распределения водно-энергетических ресурсов в Центральной Азии. - Центральная Азия и Кавказ, №1, 2002. See: Гулямов Я.Г. История орошения Хорезма. Ташкент, 1957, с. 313.



It is necessary to note that the tolerance of Central Asian ethnic groups allowed for the gradual increase in the number of minorities in the republics. Additionally, the poly-ethnicity of Central Asia was in due course perceived as cultural richness, and this phenomenon in itself did not threaten security and stability inside the separate countries or the region as a whole.

However, geopolitical processes at the end of the 20<sup>th</sup> Century—in particular, competition for potential energy resources—have changed the character of the antagonism among the Great Powers. On leaving the frameworks of normal political processes, this antagonism has transformed even ethnic cultural factors into political threats. Accordingly, the investigated ethnic-political phenomenon in Central Asia could become menacing with the strengthening influence of external factors.

Uzbeks, Kazakhs, Kyrgyz, Tajiks, Karakalpaks and Uigurs have lived in Central Asia from ancient times, and they have shared ethnic-cultural and religious roots. The affinity of ethnic groups is expressed in various aspects of their lives. For example, the Kazakhs, Kyrgyz and Karakalpaks (and partially Uzbeks) have not only linguistic similarity, but also a similar lifestyle and economy. Tajik, however, is included in the Persian language group. While there is a small number of Shiite Tajiks, the majority are Sunni, as are the Uzbeks. Notwithstanding the existence of distinct languages, Uzbeks and Tajiks are extremely similar on most ethnic-cultural characteristics.

It is very well known that until the creation of national republics for the above named ethnic groups, the existence of distinct ethnic-cultural features and ethnic names never equated to state isolation or separation. Before occupation by Imperial Russia, the state devices in Central Asia were formed on territorial and dynastic principles, which were organized around such historical centers as Bukhara, Khiva, Kokand, Samarkand, and Tashkent.

To questions about nationality, the people responded with their religious belief - "Muslim", or by naming a place of residence—Kokand, Dashhavuz, Shymkent, Osh, etc.<sup>12</sup> The territorial location of ethnic groups had no serious significance in public administration. In other words, if ethnic features mattered, it was expressed through the management of regions and/or distribution of administrative positions; it did not reflect a separatist mood in the modern sense. The various local ethnic groups lived on the plains, in urban settlements, and also in mountain districts. The Kazakhs, Karakalpaks and Turkmens usually lived in flat areas of the region and had pastoral nomadic lifestyles. The Uzbeks and some of the Tajiks lived in the valleys, in urban settlements and in mountain districts of Central Asia. The Kyrgyz were also nomadic and lived at the foothills of the Tien Shan mountain range.

Ethnic-political and territorial problems began to arise after Sherbin's expedition in the 1920s, and followed the formation of national republics. To understand the true reasons for the discrepancy between the present ethnic and political maps of the region, it is necessary first of all to look at the historical location of ethnic groups up to the first quarter of the 20<sup>th</sup> Century.<sup>13</sup>

It is necessary to recognize that there are more than 1600 ethnic groups in the world, but only 300 states. This means that most ethnic groups do not have the opportunity to create their own state under their own name. Living on the territory of a foreign state, they belong to an ethnic minority, which may require a special policy. The various ethnic groups of the region have been living together in these border provinces for centuries; the resulting complex ethnic map is a fact that ethnic policies must account for, but cannot reverse. Many of them, in spite of living in their historical territory, remained outside of their titular state's border after the delimitation in the 1920s, and became national minorities in neighboring countries. This is a convenient trump for certain forces that frequently play the "ethnic-political cards" in Central Asia today. However, in-depth analysis of the historical formation of the ethnic map and the contemporary location of the ethnic groups in the region makes us convinced that such territorial location of ethnic groups is the result of the historical development of the region and, by itself, would not have become the factor of destabilization. The basic reasons for possible ethnic-territorial problems rest on the artificial nation-state delimitation of a uniform Central Asia.

All of the titular ethnic groups of the region live on the territories of their historical homelands, and such territorial location of ethnic groups expresses a natural historical ethnic-map of the region. Culture and the methods of managing local ethnic groups were formed through the centuries under the influence of natural and climatic conditions. Hence, a pastoral nomadic lifestyle and the appropriate methods of management are inherent to the ethnic groups of the flat areas and northeastern foothill territories. The urban population basically lived in the river valleys of the region and their life, culture and economy were formed under the influence of corresponding factors. Thus, before the realization of national-state delimitation, i.e. before the 1920s, questions of territorial division among local ethnic groups were not essential. The questions connected to the ethnic map of the region have an underlying politically motivation, which originated from external sources. Nowadays, Central Asia is referred to as a place of boiling ethnic contradictions and is compared to the Balkans.

For the formation of final conclusions, it is necessary to address the demographic parameters and location of the ethnic groups on the contemporary political map of the region. Of the five states of Central Asia, only Uzbekistan has a state border with all of the other countries of the region. Hence, the ethnic structure and interethnic relations of border areas of this republic are of particular importance for regional stability.

### THE LOCAL NATIONAL MINORITIES

The so-called local national minorities of Uzbekistan usually live in the republic's border provinces. The word "national minority" designates all ethnic groups other than the titular ethnic group of the country. It is necessary to note that the national minorities of a specific state cannot be the titular nation of that state; however they can be a local ethnic group of the region, which may include several historically and culturally connected states. Thus, one

<sup>12</sup> See also, B. B. Бартольд. Сочинения. Т. 6. М., 1966, с. 15-72. (V.V. Bartold. Collected Works. V 6, M., 1966, p. 15-72)

<sup>13</sup> Results of National State Delimitation in the Region: Xidoyatov G.A. Security and Cooperation in Central Asia: Problems, Searches, Decision. // International Relations. # 3. 2001. pp. 53-65.



nation-state's titular ethnic group will be part of the national minority in a neighboring state. In the case of Central Asia, the national minorities are all local ethnic groups of the Central Asian republics that happen to live on each other's territory. Certainly, the national minorities of this region are very different from such diasporas as, for example, exist in the USA<sup>14</sup>.

In other words, basic parts of the local national minorities of Central Asian border territories are not deportees. They are instead the historical inhabitants of the ground upon which they live today. They did not emigrate to a republic foreign to them; rather, state boundaries were drawn around them, which artificially turned them into a 'minority.' A dominant part of all ethnic minorities of Central Asia live in districts bordering their "homeland". For example, ethnic Uzbeks as a minority are located in the provinces adjacent to Uzbekistan of all the countries around our republic. There are also Kazakhs in Uzbekistan, Tajiks in Kyrgyzstan, Kyrgyz in Tajikistan, etc. Thus, it would be desirable once again to mention the national-state delimitation in the beginning of the last century that resulted in the artificial formation of so-called "national minorities" in the region<sup>15</sup>.

In the present interethnic situation in the region, the attitude of local ethnic groups does not warrant the application to them of the alien word "national minority" in the genuine meaning of this concept. A deep scientific approach explains the given phenomenon a little differently: the term "the national minority" does not reflect the real attitude of local ethnic groups of Central Asia. Uzbeks living in Tajikistan do not necessarily view themselves as constituting a "minority" population distinct from the mass of "Tajik" citizens—the same can be said of Kazakhs in Uzbekistan, Uzbeks in Kyrgyzstan, etc. Proceeding from this, the idea of "national minority" in Central Asia is a relative phenomenon. Such relativity arises first of all from the geographical location of ethnic groups, i.e. their continued inhabitation of their historical motherland. Second, the transparency of borders allows ethnic groups to maintain close relationships with relatives on the other side, and thus automatically pushes the concept of "state border" to a place of secondary importance.

Third, all the ethnic groups have in common participation in economic activities, history and traditional culture and lifestyles, which are connected and are crossed in daily life. Such similarity does not allow an ethnic group to be alienated from the public unity of the region in which they live. Public unity is, as we know, a rather important factor in the political and cultural life of the region. The main traditional activities, such as weddings, funeral, *xashars*<sup>16</sup> etc. are carried out with common effort, despite ethnic differences. Such traditions draw together and unite the various frontier peoples. This can be observed in any area where the Uzbek, Kazakh, Tajik, Turkmen and Kyrgyz people live together. Psychological loyalty to one another and tolerance have allowed for the peaceful preserva-

tion of ethnic differences. These ideas prevented infringements on the ethnic originality of other peoples. In this process, we see not only preservation of ethnic identification, but also ties between ethnic groups. In a broad sense, this is explained by a generality not only of mentality, culture, history, geography, but also of economic bases and preconditions. These are the elements and bases that characterize the relativity of the "national minority" idea in Central Asia.

Preserving the traditional amicability of Central Asian inter-ethnic relations is the central challenge for the Central Asian republics that wish to retain peaceful relationships in the region. Analysis of ethnic and geographical characteristics and of present and future demographic parameters reveals the real complexity of the ethnic-territorial questions in Central Asia. Analysis of the aforementioned issues makes it possible to reach the following conclusions about regional ethnic-political stability:

1. The ethnically mixed population of border territories determines the specificity and complexity of the interethnic situation.

2. Ethnic-territorial problems, which from time to time face the region, often occur in response to a change in the tactics and strategy of external forces. Hence, the urgency of interethnic questions is kept and reflected in the mutual relations between republics. In order to preserve their stability and security, the Central Asian states should:

- Not allow external forces to use the multiethnic nature of border territories as a tool in pursuit of their foreign policy goals;

- Carry out national policies that conform to the standards of multiethnic communities and organize educational and informational campaigns about these principles;

- Protect citizens from the destructive propagation of national violence;

- Complete the delimitation of state borders, which will also promote ethnic and territorial stability;

- Ensure simpler rules for custom services, in order to preserve close cross-border interethnic relations;

- Ensure the safety of transit vehicles.

Despite the realization of similar measures, the socioeconomic difficulties caused by market interests can promote forces that destabilize the political situation in the region. Such efforts are expressed mainly in attempts to bring out disagreements between local ethnic groups: this is reflected in the distortion of historical facts, the historical development of culture, and modern political events, etc. They can be especially observed in the publications by foreign authors. For the region to achieve stability in interethnic relations, the republics must counter these destabilizing factors by developing and implementing calm and carefully considered policies aimed at the promotion of peaceful interethnic relations, and especially at the promotion of tolerance on the part of a republic's titular ethnic group.

<sup>14</sup> Жалилов А. Диаспоралар (этно-сиёсий ҳодисанинг назарий таҳлили) Халқаро муносабатлар. // # 4. 2001.

<sup>15</sup> Хакимов М.Х. Партия и советская национальная государственность. Руководство КПСС созданием и развитием советской государственности народов Средней Азии и Казахстана. Ташкент, 1980, с. 221-222.

<sup>16</sup> Xashar is widespread in Central Asia as a traditional working style. Young men of the villages conduct all of the difficult work together. The main characteristic of the xashar is effective physical collective work.



# Political Situation in Afghanistan

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**T**he second half of 2004 and early 2005 remained a rather hard time for Afghanistan. The key political event in this period was the Presidential election held in October 2004, in which Hamid Karzai, Chairman of the Transitional Administration, became the Head of State.

The political situation in the country has improved greatly over the last three years. The obscurantist and wayward Taliban regime ceased to exist. The international community helped organize an extraordinary loya jirga, or grand council, to appoint the interim administration and then the constitutional loya jirga convened to adopt a new constitution and form the Transitional Administration. Later, the Presidential election was held. Currently, the Afghan establishment prefers political rivalry and intrigues, which is evidently better than direct combat.

During this period, military tensions continued in Afghanistan, although in latent form. Osama bin Laden, the leader of al-Qaeda, and Mullah Omar, the head of the Taliban, have not been arrested and the Taliban's political core has not been destroyed. The new Afghan government, with the connivance of the U.S. and its NATO allies, has been discreetly contacting the Taliban so as to let its members enter government structures in exchange for their loyalty towards the new political power. Yet, the existing administrative bodies offer a limited range of positions and, to enhance the political presence of the Taliban, the government would need to kick out the minority nationalities (such as Tajiks, Uzbeks or Hazaras). This process, which began during Karzai's electioneering, may aggravate the existing ethnic and political breakdown in the country.

The economic situation in Afghanistan remains difficult and is complicated by droughts, economic breakdown, the government's inability to fulfill economic projects and a lack of international aid.

Another issue, which is topical in both the internal and economic context, is the catastrophically increasing production, trafficking and movement of drugs.

## THE INTERNAL SITUATION

### *Political Breakdown*

The ruling class in today's Afghanistan may be divided into three major groups: the so-called "Westerners", the Panjshirs and the clerics.

The "Westerners" are the Afghan Pashtuns who come from the West and who left the country after the 1978 coup organized by the People's Democratic Party of Afghanistan, in pursuit of a better life or trying to escape the "holy war" against the USSR. Many a Westerner kept in

touch with the CIA and other U.S. and European intelligence services, worked for international foundations, and were engaged in business. This political group includes President Hamid Karzai; Ashraf Ghani, the Finance Minister; Anwar ul-Haq Ahadi, the Governor of Da Afghanistan Bank; Abdul Rasul Sayyaf, the President's Advisor, and some ministers in the economic sphere. They are all paid good money by the U.S. to support American political efforts to destroy or minimize the sources of terrorism, drug trafficking and "localism."

The Panjshirs come from the Panjshir Valley. Many of them were allies of legendary Ahmed Shah Massoud and mujahideen (Islamic guerillas) who fought against the USSR. Later, the Panjshirs struggled against the Taliban and were defeated during a ground campaign. They are particularly interested in strengthening the Afghan army and list as their allies Mohammad Qasim Fahim, former Defense Minister (who was recently removed by the Head of State), as well as his followers who are mainly Tajik. Interestingly, this group also includes its former enemies such as the former Army Chief of Staff, General Mohammed Asef Delawar (a graduate of the Soviet Army's General Staff Academy). The key long-term doctrine of this political group is that confrontation with neighboring, heavily armed Pakistan is necessary and inevitable. These politicians rely primarily on Russian, not U.S. support. It should be said that this group has lost its political and ideological solidarity and is no longer taken into account as an integrated political force.

The clerics are rather powerful representatives of Afghan society whose ideology is to protect religious (Islamist) traditions. This group persistently confronts the "Westerners" and lists many leaders of those political parties that headed the jihad against the USSR and were sponsored by Arabs. This political force has the deepest ideological roots in the country and created its authority with the population decades ago. All the clerical parties and movements have the word "Islamic" in their names.

The main leaders of this part of the establishment are the former Head of State, Burhanuddin Rabbani (Islamic Society of Afghanistan), the Hazara leaders, and the leader of the "splinter" Islamic Party of Afghanistan, Younis Khales. It is noteworthy that the clergy have both money to strive for power (money that accumulated during the years of jihad) and combat-ready field troops. Gulbuddin Hekmatyar, the leader of the Islamic Party of Afghanistan, stands apart from this group and persists in confronting Karzai's regime by cooperating with the Pakistani secret services, the Taliban and al-Qaeda.



While strengthening his power, Karzai is trying to weaken his potential rivals. For instance, Mohammad Qasim Fahim, former Defense Minister and First Vice President, resigned both posts after Karzai, despite repeated assurances, did not appoint him sole Vice President. Fahim's post was offered to another famous Panjshir, Ahmed Zia Massoud (a brother of legendary Ahmed Shah Massoud), who was, until recently, Afghanistan's Ambassador to Moscow. Zia Massoud is considered to be a friend of Russia.

On October 9, 2004, Hamid Karzai, who enjoys strong backing from Washington, was elected the first President of Afghanistan. Karzai received 55% of the votes, which is almost equal to the number of ethnic Pashtuns in Afghanistan. Younis Qanooni, Karzai's closest competitor, received only 16.3% of the votes, which corresponds to the portion of the Tajik population in Afghanistan. Abdul Rashid Dostum, a well-known military commander, was supported by 10% of the population, i.e. all Afghan Uzbeks. This is to suggest that each candidate received the number of votes corresponding to the number of his compatriots living in Afghanistan.

Despite Karzai's official statements about his Cabinet having no political bias, some of the President's Advisors are directly connected with influential political forces. For instance, Karim Khalili, one of Karzai's Vice Presidents, heads the Shia Hezb-e-Wahdat (Unity Party). Another warlord, Ismail Khan, who has great authority in Herat Province, was invited to Kabul to become the Minister of Energy. Some experts believe that Karzai appointed Khan to the Cabinet so as to keep his eye on the commander.

Before the election, Karzai's main objective was to divide the Panjshirs so that they could not consolidate against him. He appointed Karim Khalili his Second Vice President and, just before the election, Karzai was supported by a portion of the Panjshirs and a portion of the Hazaras.

The Panjshirs tried to consolidate and confront Karzai's regime. In December 2004, Younis Qanooni formed an opposition party, New Afghanistan. The same year, General Dostum criticized Karzai's policy and the composition of the new Afghan government. This statement was made after Afghan Uzbeks visited the U.S. Ambassador in Jowzjan.

General Dostum is a noteworthy figure in Karzai's ethnic opposition. He is a major obstacle to reforms and a symbol of local Uzbek separatists. Dostum is the only Afghan leader who insists that Afghanistan be transformed into a federal state and its subjects be granted extensive political powers. In early 2005, there was an attempt on Dostum's life, which confirmed that political and ethnic controversy in the country remains bitter. Because of Dostum's political authority and separatist moods and in order to enlist his loyalty, in early January, Karzai appointed Dostum the Head of Afghanistan's General Staff.

However, the support of all Afghan Pashtuns would not help Karzai to extend his authority over territories populated by this ethnic group. During his election campaign, Karzai took decisive measures to strengthen his power: he replaced Ismail Khan, former Governor of Herat Province, who was supportive of Tehran rather than Kabul. He also suggested that Zia Massoud, a brother of Ahmed Shah Massoud, the late Northern Alliance leader, be appointed Vice President instead of Fahim.

In May 2005, the Afghan government began registering candidates for the Parliamentary election. As per the Afghan election law, a candidate must be free from accusations of crimes against humanity and furnish the registration committee with signatures of no less than 300 electors. As a reminder, in February 2005, an independent human rights committee produced a report on Afghanistan, requiring that war crimes against Afghan people be investigated and the guilty be punished, irrespective of their status. Another requirement of the committee was that persons who have been found guilty of crimes against human rights not be allowed to fill government posts. Some influential military commanders openly disagreed with the policy of Karzai's government.

Karzai appealed to the U.S. and its allies to avoid victims among the civilian population when implementing anti-terrorist campaigns. U.S. aircraft attacked the anticipated location of anti-government rebels in Oruzgan Province, killing ten nomads. Subsequently, Mohammed Younis Khales, who was a prominent Afghan military commander during the war against the USSR, encouraged his followers to take up arms against foreign troops in Afghanistan. Younis Khales, the leader of Hezb-e Islami (Islamic Party), stated that despite his elderly age he was ready to begin the war against the international coalition headed by the U.S.

On the threshold of the Parliamentary election, Hamid Karzai had to enlist the support of those Pashtuns who sympathized with the Taliban or remained neutral. It was important to Karzai that influential military commanders who supported the Taliban regime enter the political arena of Afghanistan. At the same time, Kabul initiated persecution of those Taliban who did not support Karzai's centralized government. Twenty guerrillas were killed in Zabol Province.

The Afghan government tried to accelerate the disbandment of illegal armed groups. According to Ali Ahmed Jalali, the Interior Minister, more than two thousand such units are still in existence in Afghanistan. In October 2003, the government, with the help of the UN, launched the first stage of the disbandment campaign to assist illegal armed groups in their disarmament, demobilization and social reintegration efforts. By mid-2005, more than 50,000 people had laid down their arms. Now, to disband the remaining armed units in Afghanistan, the government is planning to launch the second stage of the campaign. In contrast to the first stage, which called for voluntary disarmament, the Afghan government is now making every effort to disband the illegal armed groups. By mid-2005, the Afghan government's army comprised over 20,000 servicemen, whereas the size of illegal militant groups exceeded 100,000 people.

Karzai has not yet succeeded in enlisting the support of those Pashtuns who sympathized with the Taliban. Abdul Latif Hakimi, a purported spokesman for the Taliban, rejected an amnesty offer that had been floated by the Head of the nation's Peace and Reconciliation Commission. A harsh rebellion broke out in Jalalabad, the administrative center of Nangarhar Province.

In May, the Afghan ulema shura, or council of clerics, stripped Mullah Omar of his religious authority. The ceremony took place in front of the Blue Mosque in Kandahar, where more than 600 clerics from 20 of Afghanistan's 34 provinces declared that Mullah Omar would not be the Leader of Muslims any more. More than 1,000 mullahs signed



the proclamation. At the same venue in 1996, Mullah Omar was awarded the rarely bestowed title of Amir-ul Mumineen, "Leader of Muslims." The clerics demanded the construction of hundreds of religious schools, the prohibition of drugs, alcohol and "sexual movies" and a call for women's rights to remain within the limits of sharia law.

On September 18, 2005, Afghanistan held an election for the wolesi jirga (House of the People). The run up to the election was plagued with militant attacks on government buildings and international missions. Some six million electors (55% of registered voters) took part in the election. The preliminary statistics suggests that, of the total number of voters, 59% were men and 41% women.

According to the new Afghan Constitution, which was adopted last year, the country's Parliament has two houses. The wolesi jirga comprises 249 members, who are elected by voting for a five-year term. One hundred and two members of the meshrano jirga (House of the Elders) are appointed for varying terms by municipal councils or the President.

The election was held through a majoritarian system, which favors individuals over parties. Many observers believed this decision was a mistake; in their opinion, it is the party system that may help establish democracy in Afghanistan.

Although international observers recognized the election as legitimate, they did criticize certain issues. For instance, no serious explanations were offered to nomadic tribes and many voters thought they were going to vote for Hamid Karzai. In addition, rich and powerful candidates had their privileges: they could afford a full-scale election campaign and were often suspected of bribery. There were also instances of voter intimidation.

Many a former follower of the communist Najibullah and the most moderate allies of the deposed Taliban were registered as candidates. Local malak al-mawts (angels of death) and warlords had a good chance of getting seats in the Parliament. Although the law does not permit members of armed groups to run for election, this requirement was often disregarded. Subsequently, some candidates were rejected, but military commanders remained on the ballots.

The election outcome will be announced officially on October 22. Yet it seems now that the Afghan government is trying to legitimize the power of regional and local leaders. On the other hand, analysts believe that Kabul would not allow the opposition to receive more than 30% of Parliamentary seats.

Thus, the positions of Karzai and other Pashtun leaders have solidified recently, while chiefs of other ethnic groups and warlords have been pushed onto the periphery of Afghan politics. Yet, this obviously positive process has serious conflict potential given the military and political situation. The opposition retains control of militia groups and individual regions, and enjoys independent financing, due in part to the production and trafficking of drugs.

### *The Military Issues*

The military and political situation in Afghanistan features sporadic militant outbursts and internal combat, as well as attacks on invaders and peacekeeping forces. Terrorist attacks, acts of violence against foreigners, and kidnapping remain topical issues for the country. NATO troops mount air attacks, land campaigns, and mop-ups, though without evident success. Militant actions contin-

ue almost everywhere, with the exception of Kabul and Panjshir, which is controlled by local Tajik armed groups.

Yet, Afghanistan has come to see certain positive changes. Many areas that previously could not be reached without guards, as well as the main roads between Kabul and the large cities (Kandahar, Herat, Jalalabad, Mazar-e Sharif, Hairaton, etc.) and those connecting Afghanistan with Uzbekistan and Tajikistan are under the control of government forces.

It should be noted that the U.S. and Afghan government troops did not manage to completely quell the resistance of the remaining Taliban units. Nevertheless, Afghanistan is currently in a better position than Iraq. Hundreds of the Taliban wish to stop resisting to the Afghan government thanks to continuing peace talks between warlords and Karzai's representatives.

Combat in the Afghan provinces escalated during the run-up to the election. The government campaign for disarmament, demobilization and reintegration of local armed groups contributed to the disorder as the campaign was largely targeted at Tajik and Uzbek leaders. Consequently, military commanders (Ismail Khan, Abdul Rashid Dostum, Abdul Salam Zaeef) called for resistance to government troops in the Herat, Faryab and Ghowr Provinces. Over 150 people were killed during these conflicts, including Mirwais Sadeq—Ismail Khan's son and Afghanistan's Civil Aviation Minister.

The regrouped Taliban and other extremists are enhancing militant activities against government and foreign troops in the central and southwest provinces. Many employees of international humanitarian organizations, as well as civilians have died because of terrorist attacks and armed combat.

In the far regions of Afghanistan, particularly near the Pakistani border, extremists (Arabs, Chechens and Pakistanis from al-Qaeda forces) have often succeeded in seizing large territories. Military bases of the global anti-terrorist coalition repeatedly come under fire. At the same time, the coalition seems to reduce its efforts to fight militia groups—attacks on the Taliban have become rare and are of a rather propagandist nature.

Today, all former mujahideen groups belong to the so-called National Army. Formally, they are subordinate to the Defense Ministry, but they are still formed at regional levels and submit to their direct commanders only.

The disarmament, demobilization and reintegration program implies the disbandment of this army and the creation of a new voluntary, centralized army of 70,000 servicemen. The expected disbandment was to be performed in two stages: it was planned to disband 40% of armed groups before the Presidential election, and the remaining 60% before the Parliamentary election. The UN reports that, to date, 80% of approximately 50,000 militants have been disarmed. Forty thousand combatants laid down their arms after the UN promised them employment and social integration. Consequently, the northern Mazar-e Sharif region and the eastern Jalalabad were declared free of armaments in December 2005.

Currently, the armed forces subordinate to President Karzai comprise some 20,000 soldiers who were trained by U.S. experts.

The Taliban guerrillas remain a serious military threat to Afghanistan. Last year, over 1,000 people related to Karzai's government and the U.S. forces were killed in Afghanistan. One month before the Presidential election,



Al-Jazeera, a Qatar TV channel, broadcasted a video appeal by Ayman al-Zawahiri, bin Laden's longtime top aide. Al-Zawahiri said that combatants retain full control of eastern and southern Afghan territories. The Taliban threatens to launch a new stage of struggle—the jihad.

Many reporters believe that al-Qaeda groups are able to act independently. Powerful Pashtun leaders are harboring fugitive Mullah Omar, the Taliban chief, on the Pakistani border and are doing their best to prevent his arrest. Mullah Omar continues his political activities: on January 19, 2005, some Pakistani media distributed his appeal in which he rejected any possibility of cooperation with the United States.

The Taliban is still receiving funds to continue its combat against the U.S. troops. Surprisingly, these funds are largely invested by purported allies of the United States. In particular, the media suggest that terrorists receive money from Kuwait, Saudi Arabia and the United Arab Emirates. In the fall of 2004, Mohammed Omar was reported to have visited these countries to raise funds.

All of these facts are mainly due to Kabul's shallow policy. The key objective of the Transition Administration was to push the Northern Alliance and warlords onto the fringes of politics and to disband their military units. This was a dangerous policy, making no differentiation between loyal and disloyal commanders, which forced them all to join the opposition.

The Taliban managed to achieve a sort of psychological victory over the Afghan President, who tried not to leave Kabul during his 2004 election campaign. In reaction to "amoral secular television," in the spring of 2005, the Taliban revived its radio broadcasting through portable transmitters. Five southern provinces of Afghanistan may tune in to this station.

The main target of the Taliban is to divide the coalition by sudden erratic attacks and landmines. These raids are to sap both foreign and scarce government troops. Thus, the combatants spend minimum funds, while putting strain on the anti-Taliban forces. Guerrillas take advantage of every opportunity to discredit the coalition among the Afghans. For instance, when the Abu Ghraib prison abuse scandal broke, similar facts were revealed in Afghan prisons, which forced the U.S. Command to begin inspections.

In September 2005, Pakistan announced its intention to build a 2,500-km barrier along its border with Afghanistan to prevent Islamist extremists and smugglers from crossing the frontier. The Afghan Interior Ministry said that Kabul would never agree with the Pakistani proposal until the boundary is demarcated in line with international law.

### **Drug Trafficking**

The drug issue is critical in both Afghanistan's internal and international context. Afghanistan ranks as the top producer of opium poppy and heroin (about three-fourths of the total worldwide production). Income from selling heroin amounts to billions of US dollars and is far above the U.S. investments in the country. Some two-thirds of farmers, or about one and a half million Afghans are involved in the production of drugs.

According to Ali Ahmed Jalali, the Interior Minister, in 2004, the production of drugs in Afghanistan increased

by 20% as compared to 2003—some 1-1.3 million square kilometers was seeded with opium poppy. In 2004, Afghanistan produced 4,200 metric tons of raw opium, as compared to 3,600 in 2003 and 3,400 in 2002. This figure is expected to reach 4,000-5,000 metric tons in 2005. After processing, this volume of opium will produce 500 metric tons of heroin. In 2004, Afghanistan exported about 430 metric tons of heroin, of which 70 tons were delivered to Europe and 300 tons to the CIS.

Statistics suggest that the production of drugs accounts for about 60% of the Afghan GDP. Annual turnover is estimated at \$30bn. According to the CIA, in 2004, the value of heroin produced in Afghanistan totaled \$7bn and the acreage of cultivated lands reached 509,000, a 239% increase over the 2003 figure (151,000 acres which produced heroin worth \$2.8bn).

Over 90% of the heroin in France and some 80% of drugs supplied to the U.K. originate in Afghanistan. The European Union is extremely concerned about stopping the flow of Afghan drugs. However, \$70m provided by the EU as compensation for the liquidation of poppy fields did not bring about any tangible results.

General Mohammad Daoud, Deputy Interior Minister of Afghanistan in charge of anti-drug issues, said that 25% of opium produced in Afghanistan was cultivated in Helmand Province. In 2004, the Afghan government contributed \$80m to stop opium production in this location. An additional \$80m was contributed by the U.K.

Occupation troops did not help reduce the amount of opium production—instead, the figure grew drastically. Besides, the international anti-drug forces lack solidarity. ISAF's<sup>1</sup> cautious efforts to oust private mini-armies stumble across the resistance of the U.S. forces. The latter tend to cooperate with military commanders that often appear to be drug lords. The stance of the U.S. Command has been repeatedly and heavily criticized. Thus, only when it became clear that often it is drug money that is used to stop drug trafficking in Afghanistan, did the U.S. agree to involve the coalition forces in its anti-drug efforts.

Some foreign observers point out that Karzai's administration lists a host of major drug lords. This deadly business involves many governors, army and police commanders. The Minister of Tribal Affairs, Muhammad Arif Nurzai, and the Governor of southern Helmand Province, Sher Muhammad Akhund, both staunch Karzai allies, are widely believed to profit from the drug trade. There are even reports linking the President's brother, Ahmed Wali Karzai, an influential figure in the southern city of Kandahar, to the trade.

Ali Ahmed Jalali's resignation in early October was a shattering blow to Karzai. Jalali was very popular with Western politicians and his three years in office earned him a reputation as the key anti-drug, anti-warlord and anti-corruption minister in the Afghan government. Jalali said he was frustrated that the government had failed to purge officials involved in the drug trade. Moreover, local observers say Jalali has also been at odds with President Karzai's choice of provincial officials. Rumor has it that Jalali had collected a lot of compromising information on certain government members and their families, including the President's brother Kayum Karzai, who is believed to be one of the most powerful drug lords in Kandahar Province.

<sup>1</sup> International Security Assistance Force.



Karzai's administration is considering the possibility of a general amnesty for drug traders in exchange for their commitment to abandon criminal activities and invest the illegal money in the economy. The police are conducting "internal cleanup" raids—in June, thirty-one Afghan policemen, including a police chief of one of Kandahar's districts, were arrested for alleged drug dealing.

To reduce the production of drugs, the Afghan police are trying to block the imports of heroin precursors. To date, these imports have been nearly stopped only on Tajikistan's border; precursors are still delivered from Europe through other countries.

The situation has changed recently—poppy crops are expected to decline in 2005 by some 30-70%. If this happens, Karzai will probably have time to develop his strategy. Officials hope that crops will decrease by over 75% in the main poppy-growing regions, such as Nangarhar and Helmand Provinces, although statistics does not produce any reliable data to this effect. Drug production is expected to fall non-recurrently—supposedly, it was a step by the heroin cartel aimed at maintaining opium prices, which may drop due to overproduction.

There is a serious belief that the demand for new routes of illegal substances will increase sharply—it is expected that approximately 140 metric tons of drugs will be delivered to the EU through Eastern European countries and Russia. A third of the total crops will be transported via Tajikistan and Kazakhstan. The drug-smuggling routes are now increasingly focused on Central Asia.

The UN states that, last year, Afghanistan produced 90% of all drugs traded worldwide. During his recent visit to the U.S., Karzai promised to reduce this figure to 30% in 2005.

### *The Economy*

The World Bank published a report in Kabul stating a 50% growth in Afghanistan's economy over the last two years. The Afghan GDP was reported to total \$4.5bn in 2003 and 2004. According to the U.S. Department of State, Afghanistan's legal incomes increased by 30% in 2002 and 25% in 2003.

Yet, there are definite doubts about these data: in particular, it is not clear whether "legal incomes" imply non-criminal "shady business." Official businesses play only a minor role in economic activities. Other sources report that last year the Afghan GDP, excluding drug incomes, grew by only 9-10%. However, this seems to be a minimum estimate given that agricultural production, which accounts for 60% of the GDP, increased by 15%. In 2002, Afghanistan's GDP was estimated at \$4.4bn and, taking into account the above 10-20% "confidence interval", we can estimate that, last year, it ranged from \$4.8bn to \$5.3bn (or from \$215 to \$235 per capita).

Other analysts use the 2001-2002 GDP as the point of departure. Thus, the GDP's growth in the 2002-2003 financial year was 28.6% and in 2003-2004, 16%. The same figure is expected for the 2004-2005 financial year, but it has not yet been officially confirmed. The Asian Development Bank expects that, in 2006-2010, the increment in Afghanistan's GDP will average no less than 10%. In the 2004-2005 financial year, this indicator reached \$5.5bn, or \$246 per capita. Thus, by 2010, the GDP may total \$8.8bn.

The Afghan government's budget is formed by foreign donations and taxes collected within the country, the latter accounting for 30% of the budget. The country's tax

revenue has been growing steadily over the last three years: in 2002-2003, it amounted to \$132m and in 2003-2004, \$190m. In 2004-2005, there was a major increase in economic activities favored by some legislative changes, which resulted in a 50% growth of tax proceeds that amounted to approximately \$300m. In 2005, the gold reserves of Afghanistan Bank reached \$773m.

In 2003-2005, the Afghan government focused on strengthening the country's financial stance, promoting economic growth and higher state revenue. In 2003, the government revaluated the inflated national currency at a rate of one "new" afghani for 1,000 "old" afghanis. Sixteen and a half (16.5) billion banknotes were issued with a value of 46 afghanis per U.S. dollar. In 2003, the national Afghanistan Bank launched its program to strengthen the banking system and, that same year, five commercial banks opened in Afghanistan. The banking system helped resolve a major economic task—to attract the funds of the Afghan Diasporas living in Europe, the U.S. and Russia.

In the 2005-2006 financial year, the Afghan government took additional measures to solidify the country's incomes. On September 23, 2005, a new progressive tax was approved. Thus, if a person's monthly income exceeds \$200, he or she must pay a 10% tax, whereas incomes exceeding \$2,000 a month are taxed at a rate of 20%. This tax is implied to impose a heavier burden on business leaders, foreigners and the Afghans employed by foreign companies, and it should not affect the majority of Afghans (an official's salary in Afghanistan averages \$25 a month).

Currently, the government is set to develop technology parks throughout the country, the first to be created in Bagram, Mazar-e Sharif and Kandahar. Following these developments, the Ab-e Kamari, Deh Sabz, Kabul, Sina-Zard, and Charikar parks will be created. The project value totals \$20m, of which \$10m was granted by USAID to develop the first three parks. On September 14, 2004, Kabul held a conference devoted to the development of technology parks in Afghanistan.

Approximately \$350m was invested by private Afghan businesspeople to build the 300-hectare Herat Industrial Area, 20 km south of Herat. Consequently, 420 companies were created, 35 of which commenced operations employing some 4,000 people. The plants have already begun selling their products, such as soft drinks, biscuits, chips, vegetable oils, paints, and plasters, among others. Other technology parks are under construction.

Yet, most experts consider that the economic situation in Afghanistan remains quite difficult. The country is suffering from unemployment and its legal economy completely depends on foreign aid. International donations are used inefficiently, mainly to pay salaries to officials and employees of various organizations. Some progress may only be ascertained in private commercial businesses.

Agribusiness, which was hardly affected by the destruction and outdated of irrigation facilities, has been encountering additional difficulties over the last seven years because of heavy droughts. Despite external aid, approximately 40% of the country's population lives below the subsistence level. Some 6.4 million people cannot afford relevant nutrition.

The FAO suggests that approximately 750,000 people do not have access to potable water. This situation is particularly alarming in southwestern Nimruz Province,



which borders Iran and Pakistan. The desert and sand dunes have extended and covered about one hundred villages, with their fields and gardens, and a part of the city. Over 90% of the cattle died or were slaughtered.

The major obstacle for the development of Afghanistan's agribusiness is that it remains focused on the production of drugs—the incomes from cultivating opium poppy and producing opium and heroin are huge. These factors surely impede the development of a legal economy.

At the same time, Afghanistan launched the large-scale construction of schools, hospitals, roads (e.g., the Kabul-Kandahar highway) and infrastructure with the help of foreign donations. Normally, donors (mainly U.S. companies) finance specific projects, while the Afghan government receives a minor portion of the international aid. Karzai's government is fully dependent on these funds, which make up 2/3 of the state budget and are mainly used to sponsor institutional reforms, such as the development of government bodies, the army, police and the judicial system.

Afghanistan's neighbors also offer their assistance to the country. Thus, Iran is implementing four water resource projects in Afghanistan, namely establishing the Water Resources and Environmental Research Center; improving water supplies to Zaranj, the center of Nimruz Province; studies under the general water resources project for Kabul's drainage system; and supplying equipment to some weather stations.

In 2004, Hamid Karzai announced his seven-year plan to improve living conditions in the country, a plan that requires an investment of \$27bn to implement. If international donors manage to provide these funds, Afghanistan will cease to be a burden on the international community. The Afghan government lacks the funds to finance its projects. International aid commitments to Afghanistan have already totaled \$4.2bn, and an additional \$9bn in donations is promised in the next three years. The U.S. will contribute an extra \$1.2bn. In 2004, foreign investments in Afghanistan amounted to \$1bn, of which Turkey provided \$470m.

In July 2005, India committed to donate an extra \$500m for Afghan rehabilitation projects. It is noteworthy that Delhi, despite its keen interest in cementing its political and economic relationship with Kabul, falls behind Afghanistan's neighbors Iran and Pakistan, not to mention China. This year, Chinese imports to Afghanistan grew by 30% compared to the previous year and reached over \$2bn, while the trade turnover between the countries totaled \$500,000.

In April 2005, the President of Afghanistan condemned non-governmental organizations working in the country for the misuse of funds that have been donated to restore the country's economy. He promised to round up "corruptive, prodigal, and unaccountable non-governmental organizations," a statement made as commentary to the new law on non-governmental humanitarian organizations drafted by the government.

As per this law, non-governmental humanitarian organizations will be prohibited from participating in government projects. Any contracts will be made with private businesses, which will need to pay taxes. This draft law disturbed donors and humanitarian organizations and Karzai had to discuss it with the ambassadors of relevant countries. Subsequently, the Afghan government decided to postpone the adoption of this law and create a min-

isterial commission to clear up questionable clauses. Later, after the International Donor Conference in Kabul, Karzai leveled harsh criticism at non-governmental humanitarian organizations. This conference was preceded by bitter debates between Afghan officials and the donor communities. Both parties questioned why the massive international aid that has been provided to Afghanistan since the deposition of the Taliban has produced almost intangible results.

In July 2005, the Afghan government approved the Law on Natural Resources. Now, private investments in the exploration and development of mines and oil and gas fields may total 100%. Experts believe that Afghanistan has approximately 300 fields of various minerals, such as gas, uranium, copper, gold and coal. The oil fields are capable of producing up to 50,000 metric tons of free-flowing oil per year. The actual oil reserves in northern Afghanistan would allow the production of approximately one million metric tons of oil annually.

The Afghan government is inclined to form a consolidated national budget in 2006. Currently, over 93% of the budget is made up of foreign donations, out of which government officials control only a third.

Despite the difficult economic situation, in September 2005, Afghanistan donated \$100,000 to help the victims of Hurricane Katrina.

## EXTERNAL POLITICAL FACTORS

The situation in Afghanistan should also be considered in light of international factors. Afghanistan is a country under occupation, with limited national sovereignty. Its security, internal stability and further economic development depend on the U.S., NATO and global economic aid.

### NATO

The international coalition in Afghanistan currently numbers some 10,000 soldiers from more than thirty countries. The International Security Assistance Force (ISAF) was deployed in Kabul pursuant to a UN Security Council decision. In August 2003, NATO took control of the ISAF. Then, in August 2004, Eurocorps replaced the NATO officers who had been leading the ISAF, and the French General Jean-Louis Py was charged with overall command.

In 2005, after launching a rotational system, the command of peacekeepers in Afghanistan was handed over to joint Polish, German and Danish corps, which were to operate within the next six months.

In October 2003, the UN Security Council approved Resolution 1510, expanding ISAF's operations outside Kabul and increasing the number of peacekeepers. Resolution 1563 dated September 17, 2004 extended ISAF's mandate until October 13, 2005. Provincial Reconstruction Teams (PRTs) were established in the provinces of Balkh, Bamiyan, Paktia, Kunduz, Herat, Kandahar, Ghazni, Parwan, Nangarhar, Konar, Zabol, Faryab, and Paktika.

The PRTs were, primarily, to assist the coalition forces. When created, the PRTs' official objective was to resolve civilian issues, but their actual mission remained military and investigation tasks. Currently, Washington is inclined to agree with the recommendations of the UN advisors and charge the PRTs with economic functions. These changes are within the general U.S. strategy in Afghanistan to refocus from military activities to the restoration of the country. The coalition also plans on increas-



ing the number of PRTs. There are widespread rumors that NATO is going to send an extra 2,000 to 10,000 people to major Afghan cities to secure the representation of the central government outside of Kabul.

NATO declares that the PRTs' main function is to restore public order in the provinces and to implement construction. Each team comprises 150-200 servicemen and civilians. In October 2004, NATO began supplying five of its teams with the necessary equipment, including mobile hospitals. The PRTs' main location is in northern Afghanistan. The first PRT was created by the Germans in Kunduz; the second, U.K.-led PRT was established in Mazar-e Sharif. Both teams are supported by Dutch, Scandinavian and Romanian troops.

NATO also helps to equip the Afghan forces—recently, the Alliance members have begun supplying Afghanistan with ammunition and military units. After coming to power, the Spanish Socialist government decided to withdraw its contingent from Iraq and transfer it to Afghanistan. The Netherlands provided six F-16 Fighting Falcon jets, and the U.S., the U.K. and Belgium six transport C-130 Hercules. However, Afghan troops still need additional helicopters.

The tension within the coalition remains acute. In November 2004, France and Germany disagreed with Washington's idea to merge NATO's mission and U.S.-led forces in Afghanistan. NATO's Secretary-General, Jaap de Hoop Scheffer, suggested that a single person be appointed to manage the operation, which would have two objectives: military actions and nation-building.

NATO is currently expanding its peacekeeping mission in Afghanistan—extra Italian troops were sent to Herat and later joined by Spanish, Greek and Lithuanian contingents. Finally, four NATO divisions will be located in the province with their operating base in Herat.

In April 2005, Germany declared its intention to raise its contingent from 2,250 to 2,500 people, although this decision increased the risks of German troops in Afghanistan. The Bundeswehr soldiers often get caught in the crossfire of drug dealers and may be easily involved in a bloody war against drug lords. In early summer, the German Special Forces, the KSK, were deployed in Afghanistan to fight the Taliban in regions bordering Pakistan. These troops were given freedom of action in pursuing terrorists and maintaining the security of Germans in Afghanistan.

Canada also expanded its contingent in Afghanistan up to 1,200 people. It has closed its base in Kabul and relocated its troops and military equipment to Kandahar.

In May 2005, President Hamid Karzai gave a news conference at NATO's headquarters, requesting that military contingents stay in Afghanistan after the Parliamentary election. Karzai also asked the European Union for long-term aid. Subsequently, in the summer of 2005, NATO expanded the ISAF troops in the western regions of Afghanistan.

In June 2005, NATO sent to Afghanistan an extra 2,000 troops from Romania, Spain and the Netherlands because of the escalation of armed conflicts in the southwestern regions. Thus, over 10,000 NATO-led servicemen and 18,000 U.S.-led troops are now deployed in Afghanistan. A joint U.S.-Afghan mission defeated some Taliban groups in the south and managed to capture several militants. The situation in the north seems not to disturb observers.

By the end of 2006, NATO troops will take over control of the entire Afghan territory from the U.S. contingent. This will allow the withdrawal of a major portion of the U.S. troops. Yet, it is not quite clear if the U.S. intends to keep individual units on the border between Afghanistan and Pakistan.

### *The U.S. Policy*

The U.S. remains the most influential military and political power in Afghanistan. The Pentagon persists in eliminating the terrorist infrastructure and pursuing al-Qaeda and Taliban leaders. The U.S. strategy in Afghanistan is to solidify Karzai's regime and stabilize the internal political situation by moving its potential antagonists onto the periphery of politics. Regarding military objectives, the U.S. tends to limit its responsibility and increase NATO's participation in the peacekeeping process. In the recent past, Washington began a decisive anti-drug campaign.

The U.S. Special Forces and military have changed their focus from massive direct raids to targeted tactics. They send small raiding forces to probable locations of Taliban and al-Qaeda leaders to capture or kill them. These missions are implemented with the connivance of the Afghan government and controlled by the Pentagon, the CIA and the FBI. The U.S. soldiers come to villages under the guise of medical workers offering vaccinations.

Another popular practice today includes negotiations with the Taliban, armed opposition and regional leaders so as to enlist their loyalty. When necessary, U.S. representatives easily get in touch with former enemies.

In December 2004, NATO defense ministers held an informal meeting in Romania to discuss Washington's initiative to merge the U.S. and NATO-led forces in Afghanistan. It seemed that the Alliance's members did not reach a consensus. Washington's proposal was rejected by France and Germany.

On the other hand, Washington intimates that its forces may stay in Afghanistan for an unlimited term, which was confirmed by the U.S. Ambassador Zalmay Khalilzad in December 2004. Experts forecast that the U.S. military will stay in the country for a long time and, in any event, neither Russia nor China may interfere in this issue. Similar statements were made by Vice President Dick Cheney and the top Field Commander in Afghanistan, Eric Olson.

The Pentagon are trying to step up the training of the Afghan military and expects to have it finally organized by September 2007, when it will comprise 70,000 people. In the opinion of the U.S., it is Afghan, not American soldiers that must resolve the most difficult and dangerous issues. At the same time, the Pentagon is going to double the number of U.S. servicemen in the Afghan army. Currently, the Afghan military is being instructed by 600 U.S. officers.

Certain progress should be ascertained in the U.S.'s stance on the drug issue. U.S. Defense Secretary Donald Rumsfeld stated that the drug trade undermines every effort to build democracy in Afghanistan. According to Rumsfeld, fighting the drug trade will "require an overall master plan" that must ensure that the billions of dollars involved in the drug trade do not reach people seeking the return to power the ousted Taliban militia or those financing the al-Qaeda terrorist organization.

As part of its drug-eradication efforts, the U.S. began aerial spraying of opium crops with herbicides. The Afghan government publicly condemned the spraying.



Moreover, President Karzai announced he was considering amnesty for former drug dealers so that they can help to capture major drug lords.

Some Western experts also believe that crop spraying should only be used after the political climate in the country stabilizes, because such measures target Afghan farmers and give a strong propaganda advantage to the Taliban.

U.S. "peace initiatives" are mainly caused by difficulties facing Washington in Iraq, which is why the U.S. fears the aggravation of the Afghan situation and incurs significant costs to maintain its contingent in the country. The massive presence of American troops in Afghanistan is no longer an acute need, but the U.S. wants to retain its influence on Afghanistan and, although it is withdrawing some troops, it is not reducing the number of operating bases.

The media reported that a new U.S. Air Force Base was established in the west of Afghanistan, 45 km from the Iranian border. This news aroused serious concerns in Iran, but Afghanistan stated that this base, located near Herat, would not be an American, but Afghan National Air Force Center created with the Pentagon's help. The U.S. military operates an Air Force Base in Shindand, Herat Province. Previously, Herat's Governor Ismail Khan rejected Washington's request to let U.S. troops occupy this base, but later, when Shindand was invaded by militia of the Pashtun warlord Amanullah, he ceded the base to the U.S.

The U.S. Command in Afghanistan is disturbed by the expected withdrawal of a portion of the American troops, which currently comprise 17,000 soldiers. By withdrawing its contingent, Washington plans to strengthen its armed forces in Iraq.

Thus, the U.S. policy in Afghanistan is likely to undergo some changes in the nearest future and these changes seem to be reasonable. Washington can no longer afford major military operations in Afghanistan and maintain a large contingent there, primarily because of Iraq. This factor forces the U.S. to display initiatives that will make invasion issues a concern of the coalition and NATO. Drifts in the U.S. anti-drug policy are also explained by its military interests—the most topical issue for Washington today is to put an end to channeling funds for terrorist groups.

On the other hand, Washington is keenly interested in maintaining its military presence in Afghanistan and Central Asia. In the future, the U.S. will do its best to cement Karzai's political stance and accelerate the creation of armed forces loyal to Karzai. Yet, this policy may lead to the escalation of internal political conflicts.

Iran remains an important strategic factor for the U.S. Currently, Washington is eyeing an opportunity to launch a military mission against Iran from Afghanistan.

In April 2005, Donald Rumsfeld visited Afghanistan. During his visit, he underlined that the U.S. had different objectives in Iran and Afghanistan. Thus, according to Rumsfeld, the U.S. armed forces did not plan to stay in Iran for a long time, while the Afghan government and the U.S. were negotiating a long-term military presence and the establishment of American bases in the country. In May, President Karzai convened a special session, which was attended by hundreds of tribal leaders and delegates of last year's loya jirga, to consider the possibility of building permanent U.S. military bases in Afghanistan.

In May 2005, Karzai visited Washington, where he signed a "strategic partnership" agreement with George Bush. Just before this visit, Karzai made a number of pre-

tentious statements: he promised the nation that he would reach an agreement with the White House that the Afghan forces would take over the command of the U.S. contingent in Afghanistan. In addition, Karzai promised that Afghan prisoners of war would be discharged from the United States' Guantanamo prison and that the agreements between Afghanistan and the U.S. would be given a new impetus. Obviously, none of Karzai's demands were fulfilled.

In June 2005, the U.S. and Afghan troops held a joint mission in the southern regions of the country that killed dozens of the Taliban militants. This special mission has become one of the most significant operations over the last three years. Land combat lasted for over eleven hours, backed by the U.S. Air Forces, which conducted missile attacks on the Taliban shelters. A lot of weapons and ammunition were found and thirty Taliban fighters, including two commanders, were captured.

In April and June, the U.S. lost two helicopters with many soldiers in Konar Province. American troops often get caught in the crossfire in this locality. In the spring and summer, combats between U.S.-led forces and the Taliban escalated. At least 465 Taliban militants and 29 U.S. soldiers were killed, as were approximately 200 non-combatant Afghans and security servicemen. During a three-month period, over 500 Taliban, approximately 50 Afghan soldiers and policemen, more than 130 civilians and 45 Americans were killed in combat in the south and east of Afghanistan. In late August, a heavy armed conflict between U.S. troops and the Taliban occurred in Zabol Province, near the Pakistani border. In August, thirteen Americans were killed in Afghanistan (a total of 65 from the beginning of 2005). Thus, 181 American soldiers were killed in Afghanistan during the four years following the defeat of the Taliban regime.

In the run-up to the summer Parliamentary election, the Taliban boosted its militant activities in Afghanistan. In July, the U.S. Command stated that the Taliban was suffering heavy casualties and had to enroll young people aged 14-16. Shortly before this, the first stage of the disarmament campaign was completed in Afghanistan. The U.S., UN and international organizations committed to provide warlords and their militia with employment, housing and other benefits. However, none of these promises was fulfilled after the militants laid down their arms. In reaction, the Taliban and their supporters offered a reward for killing Afghan government officials and the national army's soldiers. Specifically, \$150 was offered for killing a recruit, \$250 for an official, and \$1,500 for a U.S. soldier. The money was paid promptly in cash. The disarmed military commanders considered this offer as an additional source of income. By comparison, Afghan soldiers receive an average salary of \$75 per month, although they were promised \$300. Many warlords, who were, until recently, loyal to Karzai's government, answered the call of the Taliban to expand combat and obstruct the election.

In the summer of 2005, the question arose of keeping U.S. bases in Central Asia. Afghanistan is a very isolated country that has no military infrastructure. To build this infrastructure, even to the lowest standards, would cost the U.S. a great deal of money. It is Afghanistan that should think about creating such bases, for it receives international humanitarian aid via Pakistan, which is not a secure route. Moreover, this issue is topical not only for the U.S., but for all countries fighting international terrorism.



Experts insist that losing bases in Central Asia would be a striking blow to the Pentagon. Washington has been granted access to an oil- and gas-bearing region that has been controlled by Russia for years. The military bases are of strategic importance and include outposts on the Chinese border. Besides, Washington is considering the possibility of locating its military in Mongolia. Moscow and Beijing were deeply disturbed by the U.S. attempts to put down roots nearby. Yet, Washington intimated that it was not going to abandon its military facilities in Central Asia.

### *Iran and India*

Tehran and Kabul have signed a training agreement, in accordance with which Iran will grant \$1bn to train Afghan officials in both countries. Iran will also provide Afghanistan with instructors and advisors, as well as computers and other necessary equipment. The training program is funded via a grant of \$250m raised by Kabul from Tehran after the Tokyo Donor Conference. To date, \$170m has been already disbursed.

Over the last three years, Iran fulfilled 22 agricultural projects in Afghanistan. Major projects included the improvement of water supply and irrigation facilities, particularly the construction of 180 water wells in Herat, Kabul and Kandahar provinces; the development of horticulture, beekeeping and fish farming; locust and pest control; supplies of seeds, plants and fertilizers; and training of Afghan specialists.

In 2002, the Iranian and Afghan Ministries of Agriculture signed a cooperation protocol. This document provided for the participation of Iranian experts in the rehabilitation of Afghan villages and the creation of favorable conditions for the return of Afghan refugees. The total value of Iranian projects was \$11.15m. Tehran acknowledges that Iranian agricultural aid helps to create new jobs and reduce opium crops in Afghanistan.

In the summer of 2005, Afghanistan and Iran established the so-called Khorasan Chamber of Commerce, comprising five representatives from Iran and five from Afghanistan. The institution's paramount objective is to eliminate obstacles to the development of bilateral trade.

After the 2001 deposition of the Taliban, India granted over \$500m for Afghanistan's development and rehabilitation. This money was mainly used to improve the educational, health and energy systems in the country.

India is also enthusiastic about training Afghan officials, diplomats and policemen. Delhi, as well as Pakistan, considers Afghanistan somewhat of a gate to Central Asia, which has valuable energy resources. India would not like Islamabad to regain dominance over Afghanistan. Interestingly, the majority of Indian humanitarian aid was delivered to Afghanistan by road through Iran. This route is much longer than that through Pakistan, but it is believed to be safer and simpler. To permit Indian cars to go through its territory, Pakistan put forth political claims. The number of humanitarian aid cars provided by India to Kabul exceeded 400.

In late August, Indian Prime Minister Manmohan Singh visited Kabul for the first time in the last thirty years. Afghanistan's President, Hamid Karzai, graduated from India's Himachal Pradesh University in Simla, which is why he is a frequent visitor to this country—over the last three years, he has visited India three times.

The resumption of Indian relations with Afghanistan is also an important factor in its anti-terrorist policy. Delhi

is convinced that separatist insurgencies in Kashmir were largely provoked and supported by the Taliban and al-Qaeda. It also believes that the Kashmir militia was trained in the Taliban camps in Afghanistan. In light of these facts, Kabul appealed for India and Pakistan to strengthen their anti-terrorist cooperation with Afghanistan so as to completely eliminate terrorism in the region.

### *Russia*

Russia's stance on Afghanistan is rather moderate and cautious—Moscow rejects any proposals on the part of the West and NATO to join the international coalition.

Providing economic aid to Afghanistan remains quite a complicated issue. Moscow insists that, before it makes any donations, Afghanistan must acknowledge its debt to Russia. Russian law prohibits providing financial aid to those countries that do not acknowledge their debts. Russia does not have to require that Afghanistan repay this money, but it needs the official acknowledgment in order to have the opportunity to put forward certain claims to the Paris Club.

Russia's aid to Afghanistan was limited to military supplies valuing \$28m in 2002, \$50m in 2003 and over \$70m in 2004. Both parties agree that the Afghan National Army needs these funds acutely.

In December 2004, Moscow's stance on the Afghan issue was once again confirmed during the informal meeting of Russia and NATO's defense ministers in the Romanian city of Poiana Brasov. The Russian Defense Minister, Sergey Ivanov, stated that although the Russian military did not participate in anti-terrorist operations in Afghanistan, Russia's annual financial aid to the Afghan army totaled \$100m. Ivanov emphasized that Russia would not provide Afghanistan with any military equipment.

At that meeting, Moscow partially satisfied the requests of European countries—the Russian government approved a draft agreement with France on military transits through Russia. A similar agreement with Germany, signed a year before, was submitted to the State Duma for ratification. Thus, Berlin and Paris were given preference over other NATO members: Moscow refused to make a military transit agreement with NATO as a whole. During the last year, Germany's military and transport aircraft performed over 230 flights to Afghanistan through Russia.

Russia is conducting a decisive anti-drug policy. In the near future, it will adopt a special program to fight drug trafficking from Afghanistan through Central Asia. Russia intends to propose a joint anti-drug program to the European Union and NATO. Moscow believes that such cooperation should be established using the Collective Security Treaty Organization/NATO and NATO/Shanghai Cooperation Organization interrelation patterns.

At the same time, the terrorist threat to Central Asia and the Russian military in this region remains a topical issue. Rumor has it that Ilyas Akhmadov, the Foreign Minister of Maskhadov's Ichkeria government, and Takhir Yuldashev, a leader of the Uzbekistan Islamic Movement, visited Kabul to meet a high-profile CIA officer and the Afghan Interior Minister, Ali Ahmed Jalali.

If this information turns out to be true, we may easily suggest that the objective of this visit was to organize a subversive propaganda campaign in Afghanistan against the Russian military so as to force it into withdrawal from Central Asia. The media believes that the extremists' true goal was to promote the idea that only the U.S. could



maintain stability and security in Central Asia. It is also alleged that the extremists were promised the development of their bases in areas neighboring Afghanistan.

The Deutsche Welle in Afghanistan reported that, according to informal statements by high-profile government officials, Yuldashev and other militants had meetings with the U.S. and NATO's representatives. After getting rid of NATO (given that it has close relations with Moscow), the current Afghan government may use its new allies to put pressure on those Central Asian countries that cooperate with the Alliance.

Some Russian experts are particularly concerned about the prospective building of the Trans-Afghan gas pipeline. They insist on Russia playing an active role in this project to maintain its position, as well as its security and economic interests in Central Asia.

In June 2005, a crisis was marked in the relations between Kabul and Moscow: during the Russia-NATO meeting in Brussels, Sergey Ivanov stated that it had come to Russia's knowledge that Afghanistan was training terrorists to take part in armed conflicts in other countries and that the Andijon events have been engineered in Afghanistan. Kabul dismissed these statements as groundless and accused Russia of preparing political provocation against the Central Asian countries.

Later, Russian Foreign Minister Sergey Lavrov stated that Russia was aware of regular deployments of terrorists, trained in Afghanistan and neighboring Pakistani regions, to the Fergana Valley. Russia's President Vladimir Putin, also expressed his concerns about the situation in Afghanistan after the Collective Security Treaty Organization's Summit in Moscow. Putin's statements attracted the criticism of General Zahir Azimi, Spokesperson for the Afghan Defense Ministry.

### *Energy and Communications Projects*

The Trans-Afghan pipeline is of particular importance to Afghanistan, as well as Pakistan, Turkmenistan, India and Western countries.

This project is intended to incorporate Afghanistan into the global economy. During its first stage, there were certain doubts about the productivity of the Turkmen gas fields. However, in mid-January 2005, the Asian Development Bank furnished Turkmenistan, Afghanistan, Pakistan and India with a final feasibility study, prepared by the U.K.'s Penson, to build a 1,680-km gas pipeline, which will connect Turkmenistan with the Indian town of Fazilka.

The project's estimated value is \$3.3bn. When fulfilled, it will bring both economic and geo-strategic benefits to Afghanistan, India and the Caspian countries. Moscow worries that the latter countries, which are keenly interested in energy supplies and will generate definite incomes from using this pipeline, will shun Russia and its influence on the region will weaken. More importantly, the U.S., which guarantees the pipeline security, will solidify its position in Central and South Asia.

In the first months of 2005, this project was given additional impetus. In the course of their February negotiations, Indian Prime Minister Manmohan Singh and Afghanistan's President Hamid Karzai discussed the construction of the pipeline. Official sources from the Indian Exterior Ministry confirmed that Delhi and Kabul have no principal disagreements on the project.

During the same period, there were telephone talks between the Turkmen and Afghan Presidents. Karzai point-

ed out India's interest in this grand project, as well as the prospective economic benefits of all the participants. Turkmenistan is ready to launch the construction as early as 2006. The main feedstock for the Trans-Afghan pipeline would be gas from the Daulatabad field, the estimated reserves of which total 1.7 trillion cubic meters.

There are also other important geopolitical and geo-economic projects. In 2003, Tashkent suggested the creation of a Trans-Afghan corridor from Central Asian to the Persian Gulf and Iranian ports, an idea that was supported by both Iranian and Afghan governments. During Islam Karimov's official visit to Iran, the parties reached general consensus on this project and signed a multilateral agreement on international transportation routes. Subsequently, an Interstate Coordination Committee was established.

The Trans-Afghan corridor, which will connect Uzbekistan's Termiz, Afghanistan's Mazar-e Sharif and Herat, and Iran's Bandar-e Abbas and Chah Bahar, will offer new trade opportunities to all of the members of the Economic Cooperation Organization, particularly Afghanistan and Uzbekistan, which do not have direct access to global communications. Iran is deeply interested in this project. In 2004, Uzbekistan sent its first cotton-carrying caravan via one of the Iranian ports.

Thus, Afghanistan has become an element of various projects that aim to link Iran to external markets. Yet, the Uzbek project to build the Trans-Afghan corridor seems rather Utopian.

There are widespread and well-grounded beliefs that major energy transportation projects will play an important role in improving Afghanistan's economic and political stability. Yet, all of these projects are difficult to fulfill because Afghanistan is suffering from chronic military and political shocks.

The U.S. stance on the Trans-Afghan pipeline is not entirely clear and seems rather skeptical. Moscow is concerned about building this pipeline, given its gas cooperation with Turkmenistan and the latter's reasonable prospects of developing new gas fields. Thus, it may be suggested that Russia might try to block this project on the "Turkmen" stage.

### CONCLUSION

Afghanistan's main obstacles are general instability, a lack of information, terrorist activities and militants' control over individual regions.

After severing its relations with NATO, Afghanistan faced a split within the government. Karzai preferred to enlist the support of his ethnic group and the "moderate" Taliban so as to reach a provisional tactical consensus with them and create a new political environment supportive of the country's ruling body.

Currently, one of Karzai's paramount objectives is to outplay ethnic leaders who are backed by their own large groups. These leaders include former mujahideen, such as ex-Herat Governor Ismail Khan, the Uzbek General Abdul Rashid Dostum, and the Tajik Mohammad Ata. To attract his potential enemies, Karzai had to resort to a form of "bribery" rather than direct confrontation. Khan and Dostum were offered honorable, though insignificant (considering the range of their authority) appointments.

Karzai's attempts to reach an agreement with the "moderate" Taliban with a view to stabilizing the situation in the country seem rather doubtful. These players would hardly support Karzai and his U.S. backing should any



conflict with the "non-moderate" Taliban arise, which is why it is unlikely that Kabul will manage to put an end to bloodshed in Afghanistan in the near future.

It is more likely that the south and southeastern regions of the country will remain a theater of war. Afghanistan's relations with NATO may worsen. In its pursuit of strategic positions, the Alliance may play the trump card: the western and southwestern Afghan regions, where it is proposed to lay the pipelines between Turkmenistan and Pakistan, are controlled by Tajik militia and their Baluchi, Uzbek and Turkmen allies.

Although armed conflicts in Afghanistan are less intensive than in Iraq, there is no peace and public order. When conducting operations, international forces face serious difficulties in southeastern provinces such as Konar, Laghman, Nangarhar and Paktia, populated by ultraconservatives sympathizing with the Taliban. The ISAF has minimum influence on these regions.

Thus, it is unlikely that military conflicts in Afghanistan will be peacefully settled in the near future. The U.S. and NATO will stay in Central Asia for a longer time, which is in line with their own plans.

Key objectives of the new Cabinet include preparations for the forthcoming Parliamentary election, which will take place from April 21 to May 21. Yet, there is a belief that the election will be postponed. Karzai's adversaries, primarily warlords who retain authority in the Afghan provinces, consider the election as their chance to prevent the strengthening of Karzai's regime. They do their best to affect the voting so as to disrupt Karzai's policy of centralizing regional governance. Ethnic controversy may again become an important factor in Afghan politics. Younis Qanooni announced he would head a new political party named New Afghanistan.

Because of Karzai's weak authority in many provinces and the continuing conflicts with the Taliban, many a Kabul politician suggests postponing the Parliamentary election until the summer. This extra time would allow enhancing the capability of the Afghan military and the disarmament of warlords' militia so as to increase the chances of maintaining stability during the electioneering.

In Kazakhstan's external policy, Afghanistan is not a priority. The direct threat of the Islamist radicals' invasion of Kazakhstan has been eliminated. Central Asia's security is maintained by the U.S. and NATO in Afghanistan and Russia in Tajikistan. In these circumstances, Kazakhstan's task is to support joint anti-terrorist efforts promoted by Russia and China within the framework of the Collective Security Treaty Organization and Shanghai Cooperation Organization.

Anti-drug measures remain an important focus of Kazakhstan's policy. Last year, Kazakhstan managed to stop fourteen times as many smuggled drugs as in the previous year, which was highly appreciated by the international community. These efforts should be built up further in cooperation with Russia, Central Asian and Western countries.

Kazakhstan can also benefit from the prospective Trans-Afghan pipeline—it is theoretically possible for Kazakhstan to join the gas supplies to South Asia. However, this project hardly seems feasible. It is most likely, that the pipeline's security will not be maintained if Karzai does not manage to enlist the guarantees of ethnic opposition in western and southwestern Afghanistan.

It seems that Kazakhstan should build up its Afghan policy in cooperation with Russia and the other Central Asian countries within the framework of the Collective Security Treaty Organization, the Shanghai Cooperation Organization and the Central Asian Economic Community.



# Islam and Geopolitics, As They Drive Central Asia's Development

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**A**cademic discourse, in regard to issues associated with religious extremism and particularly with Islamic fundamentalism has become more active in recent years. Before we move on to the discussion of this matter, which is topical for the current development in Kazakhstan, the following comment should be made. Islamic fundamentalism is not bad, as such, only because it is fundamentalism or because it is Islamic. It should be assessed in the context of geography, history, and the state while including the religious and international situation. When Islamic fundamentalism is an instrument of political warfare of the opposition against the existing state regime, that is to say, it may be considered as a revolutionary force, this is the first assessment. When fundamentalism rallies the population in a struggle against the occupying power, the second assessment is absolutely different. And finally, when it suppresses any dissent and leads to obscurantism, it becomes the third assessment. Thus, all depends on the object of research and one's point of view.

This article will discuss the problem of Islamic fundamentalism in the context of the general geopolitical situation in the world. First, we will consider Islamic fundamentalism as a geopolitical factor having an external influence on the political processes in Central Asia. Then, we will analyze the role of Islam and its radical "isms" in the political development of our region, and finally, we will discuss the opportunity of their use for regional development and Central Asia's integration. There are a great many divergent opinions, and we would like to state our vision of the given problem.

## ISLAMIC FUNDAMENTALISM IN THE CONTEXT OF GEOPOLITICS

The problem of the activization of Islamic fundamentalism in a number of states is now becoming more urgent every day. Before considering the relationship of Islamic fundamentalism and geopolitics, it is necessary to under-

stand the problem of the treatment of this term.

In Islam, the temporal and spiritual authority, religion and personality are inseparable. Islam not only governs, but also controls the private lives of people. When we speak about such an important feature of Islam as an intervention of religion in the process of making political decisions and its decisive role in the system of state administration, we mean the so-called "political Islam". Though, as we have already said, there is no separation of the political and religious spheres in "pure Islam". Then the question is whether "pure Islam", as such, exists in nature.

The politicization and radicalism of Islam have resulted in a dual understanding of the religion. On the one hand, Islam is a peaceful and fair religion, which is the second doctrine in the world in terms of the number of followers. On the other hand, actions launched under the cover of Islam by various political forces, including the extremely reactionary Islamic groups, cancel out all that was said above. Due to terrorist attacks, a deformed image of Islam as an aggressive religion has been created, whereas the matter in question is Islamic extremism and its methods used to achieve certain purposes.

When we refer to **Islamic fundamentalism**, we have to keep in mind not the methods but the dogma or doctrinal statements calling believers to purify Islam from innovations, abandoning some national forms of worship, and creating an adequate social pattern. An example of such a society is the early community of Muslims in the time of the Prophet Mohammed when belief was primordial, based only on the Holy Scripture, and there were no regional traditions and interpretations. Today Islamic fundamentalism is calling for the radical reorganization of society and the state. That is why countries outside the Muslim world regard fundamentalism as the ideological base for Islamic extremism and terrorism. But this perception is too primitive.

The Muslim world is not a simple set of Islamic countries and people professing Islam, but a peculiar social and political organism possessing dynamism and spatial



consciousness. Islam is not only a religion, but also a civilization. As any religion, Islam aspires to expand its territory and zones of influence, and as any civilization, it has its own space. The West, in particular the US, uses thalassocratic (sea power) approaches in its foreign policy; Russia and Eurasia build their policy according to the tellurocratic (based on land power) practice; and the Muslim world is a force representing a geopolitical and cultural alternative to the above approaches. Many things in the international politics depend on what strategy the latter will choose.

Under the new world order, the export of ideology has become the key non-military instrument for gaining new zones of influence. Islamic fundamentalism being in the service of geopolitics is expected to play an important role. This mission is actively exploited by both the governments of the Islamic countries and extremists.

The current position of Islamic countries in the world defines to a great extent the policy of the United States aimed at the expansion of its world domination after the dissolution of the socialist system, and global consequences of this policy. After the elimination of the USSR from the international arena, other geopolitical centers should prove their viability and defend the right to geopolitical independence. The Islamic countries face a crucial dilemma: whether to launch a challenge against the power of the US, or to settle into the US political orbit. The followers of neo-conservatism, who have taken office in the US, are ready to present Islam as a new global strategic opponent of the Western community. This could lead to a new cold war, between civilizations of the West and the East this time around. No wonder traditional Islam has begun applying tellurocratic approaches by expanding its zone of influence.

The Muslim world is not homogenous. By virtue of its internal contradictions, and cultural and regional differences of its constituent elements, Islamic countries do not act as an entity on the international stage. The powerful representatives of the Muslim world—Turkey, Iran, Saudi Arabia, and Pakistan—are the regional powers, which have effectively defended their national interests, and at the same time are objects of geopolitical interests of the world powers.

Some experts believe that Islamic fundamentalism, unlike traditional Islam, is an instrument of Atlanticism in the struggle against Russia and China. It plays a subordinate strategic role and is being used to achieve its foreign-policy objectives. In fact, militarized terrorist groups from the near and Middle East act as mercenaries in the service of different states and transnational criminal units.

Central Asia and the Caucasus has recently become an important knot of geopolitical contradictions. The growth of religious moods can affect the situation in the region and the activation of Islamic missionaries and fundamentalists in the FSU countries should be considered in this context. Such a policy of patrons of Islamic fundamentalism is a result of the aspiration to seize the strategically important space for the further strategic reorganization of Central Eurasia rather than discontent with the foreign policy of the Central Asian and Caucasian states. Just recollect the events that took place in Batken, Kyrgyzstan, and the role of the Taliban movement in the civil war in Afghanistan, the so-called "wahhabism", and the participation of the Arabian mercenaries in operations in the Northern Caucasus.

There are different geopolitical poles in the Muslim world, which actions are not always centrally coordinated. We can speak today only about several separate Islamic groups climbing to power, with different centers and various ideas of the future of the Central Asian states. Their aggression is developing into struggle that is directed against both the secular regimes and the so-called "national Islam" characterized by customs and traditions typical for the region, which are based on pre-Islamic culture and paganism.

Islamic fundamentalism collides here with interests of Russia and China, which are interested in the creation of their own geopolitical scenarios and objectives in the region. The outlook for the creation of the Islamic state—caliphate—in Central Asia constitutes a potential threat to the foreign-policy interests and national security of the world powers.

A distinctive feature of the present situation, in which the modern world order is developing, is the globalization of economic, political and cultural relations against the backdrop of erosion of the national state. The integration of the FSU countries (the CIS) as well as Kazakhstan's initiatives aimed at rapprochement with Russia (the Eurasian Economic Community) show Kazakhstan's endeavor to retain the common system of collective security and most favorable geopolitical conditions with a view to overcoming trans-regional challenges. This conflicts with the interests of many geopolitical centers counteracting any attempts of reunification with the former Soviet Republics and with Russia. Kazakhstan has faces the dilemma either to become a part of the existing geopolitical sphere of Russia and Eurasia, or to accept the Islamic development model which will lead to the growth of instability due to opposition of non-Islamic states. The other option is to create an independent large sphere like the European Union together with other Central Asian countries with its main target to be that of surviving and remaining an independent actor in any case.

Since Kazakhstan's independence, the Islamic states have been trying to move Kazakhstan toward a revival of Islam and strengthening its role in the state administration. However, Kazakhstan's government made it clear that the Republic will adhere to the principles of secular politics. Other Central Asian countries are also in no rush to "Islamize" their governments. Recognizing religion as one of the major elements of the social, cultural and spiritual life, regional elites yet adhere to the secular form of the state administration.

The threat of the so-called international terrorism has strengthened the positions of critics of Islamic fundamentalism in the region. The alternation of generations in the governmental authorities and the emergence of a new financial and political regional elite, which strives for integration into the western community, proves the negative attitude they hold towards the methods and objectives of Islamic fundamentalism. A gradual dissemination of principles of Islamic fundamentalism by missionary teams has not taken effect. On the contrary, Christian missionaries, involving more and more young people, are more successful and constitute a greater threat both to national cultures and to the governments themselves. The attention should be pinpointed not only upon the problems of the penetration of Islamic fundamentalism and extremism in the region, but also upon the excessive strengthening of the role of religion in the social life as a whole.



## ISLAM, GEOPOLITICS AND INTEGRATION OF CENTRAL ASIA

Islam has a historical heritage and ethno-denominational identification of nations living in Central Asia. Therefore the processes occurring in Islam, including the phenomenon of Islamic fundamentalism, are not only a factor of the international politics but part of the religious life and an attribute of the region's policy.

We live on the territory of the former Soviet Republics during the religious Renaissance. The communist ideology has failed throughout the world and religion is unable to reflect today's reality. The progressing secularization and militant fundamentalism are the two sides of one coin, as religion is losing its true sacred content. Monotheistic religions, including Islam, describe the past of mankind and predict the future, but cannot adequately interpret the present.

Nowadays the international political processes are determined by economic necessity and geopolitical contexts instead of religion. The world, being deprived of sacred meaning, is now following strict mathematical and physical formulas and is managed by technocrats. Rationalism has eventually won over irrationalism, but the latter is trying to burst its fetters and appear again in the form of chaos and mysticism. The current goal of any religion, including Islam, is to give a decisive rebuff to rationalism.

Islamic fundamentalism is calling upon the return to the beginnings of the religion—a Muslim community like that of the times of the Prophet Mohammed—and it denies the history of the religion and achievements of civilizations. On the one hand, fundamentalism is a challenge to the dying tradition in Islam, and to those cultural layers and dogmas, which melted into religion during its history. On the other hand, fundamentalism is a response of certain political and religious circles to the passivity of political systems in the near and Middle East. Fundamentalism denies these systems, and tries to undermine them and thus becomes a method of political warfare. From this point of view, Islamic fundamentalism is a political force and the result of the rise of "politicization" and "political temperature" of religion. Fundamentalism offers a political reorganization to the Muslim world using the old principles: the denial of a monarchy and any secular authority and the calling on Muslims to establish a caliphate.

Islamic fundamentalism is not mystical by nature and does not meet such expectations of the population. People are showing a growing interest in astrology and occultism that has resulted in the revival of paganism and non-traditional religions. In the context of teleology, the question is whether Islamic fundamentalism is a creative force transforming the world, or does it serve as chaos and destruction. For the purposes of geopolitical doctrine, it is important to answer the question as to whether the scenario of "operated chaos", which only aggravates anarchy in some areas of the world, is realized under the pretense of Islamic fundamentalism, and by what power is it implemented, and finally, what consequences will it have for Kazakhstan and Central Asia?

The revival of Islam and geopolitical imperatives form a permanent context of the regional policy of the leading powers in Central Asia, which they consider in their strategic planning. At the same time, local experts regard the intensification of religious processes and the geopolitical

game as phenomena of the extra-regional origin and challenge to political stability and sustainable development of states in the region. The question may be restated: **Is it possible to turn Islam and geopolitics into an internal resource for regional development** and to use them for the state and regional construction? Let us discuss the following key moments.

### 1. CENTRAL ASIA AND THE ISLAMIC EAST: RELIGION OR GEOPOLITICS

Since independence in the early 1990-s, the new states in Central Asia have defined the priority lines of their foreign policy including the establishment of closer and constructive relations with countries of the Islamic East. However, being a part of the Muslim world, Central Asia does not belong to the common Islamic political sphere. The effective development of relations with Islamic countries will allow foreign policy to be more diversified, and the dominance of the West, Russia and China to be counterbalanced. This will also provide for the cultural and religious needs of the Islamic population to be satisfied.

Due to its geographic location, a sharp turn of Central Asia toward to the East is impossible. It will not solve the foreign-policy problems of the region located on a crossroads of mutually exclusive geopolitical impulses. Moreover, it will aggravate internal political problems and cause a collapse of the social structure and its institutions.

The development of Central Asia as an independent geopolitical subject in the international arena requires the geopolitical isolation of the region and withdrawal from the processes, which are occurring in the whole of the Near East today. It does not mean a refusal of belonging to the Muslim community. The purpose is to refuse political integration into chaos which seems to be spreading every year, and now is threatening to reach Central Asia.

Central Asia should not be regarded as the forefront of the Muslim world on the border between the Christian and Confucian civilizations, and the countries located in the region must not allow this role to be imposed on them. It is important for us to keep to the evolutionary tendencies in Islam. Islamic fundamentalism bears a revolutionary impulse, so we must not allow Islamic fundamentalism to invade the political spheres of Kazakhstan and Central Asia, because it conflicts with Kazakhstan's national interests and can have far-reaching implications for the region's safety due to the increasing instability in the region and the deteriorating relations with our immediate neighbors—Russia and China.

### 2. INTERACTION BETWEEN ISLAM AND THE GOVERNMENT

Islam is the prevailing religion in Central Asia. However, attempts by local authorities to incorporate Islam into the process of state construction have had no visible effect.

Secularized Islam as a traditional religion is the mainstay of the state. At the same time, the authorities will suppress any attempts to strengthen the religious consciousness of the population because the ideas of government in Islam in a secular society are unacceptable. The ruling circles feel strongly about the politicization of religious organizations and use of religious slogans by political movements and parties in their activities. The



religious activity of the major denominations is strictly controlled by the government. The clergy is close to the government, but they do not participate in the political life. The governments cannot infringe upon the given political axiom and endeavor to preserve the status quo in suppressing internal and external sources of destabilization constituted by followers of the most extreme religious views in Islam. The only decision the authorities have found is the declaration of Islam as a traditional religion which is a part of the culture, but not policy.

The President of Kazakhstan, Nursultan Nazarbayev, has stated: "We do not deny the civil rights of believers, but the excessive politicization of any religion or denomination will endanger denominational safety. The formula, which can and must ensure secular statehood and the balance of denominations in our society, is simple: believers certainly have civil rights and enjoy democratic freedoms, but religion, being the spirit and an opportunity to worship, has not and must not have any political rights and must not influence the political will of the state."<sup>1</sup>

This generates a *dilemma of participation*: how can the governments should use Islam, as professed by vast majority of the population in the state administration, and at the same time maintain Islam's activity at a low level, i.e. keep it in dormancy.

### 3. ISLAMIC FUNDAMENTALISM AND CULTURES OF CENTRAL ASIAN NATIONS

The establishment of a single Central Asian community raises the question of self-identification of nations living in the region with regard to their cultures.

In terms of religion, Central Asia remains a periphery against the near and Middle East as the Muslim heart, because of the geographical remoteness of Central Asia from Mecca and Medina. Islam, even being the traditional religion of the majority of Central Asia's population, is not identical with the autochthonous cultural tradition of the near and Middle East. The local culture is not Arabic and contains many pre-Islamic beliefs, in particular the worship of Tengri.

On the one hand, it is difficult for Central Asian nations, who adhere to the secularized form of religion, to accept the religious system of values adopted in the near and Middle East. Although external frontiers, opened for Islam and the so-called religious Renaissance started after the dissolution of the USSR, peoples living in Central Asia have been influenced by the political trends, which disagree with the basic religious ideas of the Islamic East.

On the other hand, Central Asian nations historically belong to the Muslim world and regard themselves as a part of the Muslim community. Globalization of political and religious processes has strengthened the consciousness of belonging to a universal ethno-denominational community. The society is sensitive to the criticism of Islam. The traditional mentality applies to categories and concepts of Islam. This is evidenced in the political solidarity with the Muslim world that was proven by events in Iraq.

Muslim believers in modern Kazakhstan do not back the idea of trans-boundary integration of Muslims into a single political community. However, upon certain social

and political conditions, such as the worsening of the social and economic situation, a decline in standards of living, a political crisis, the loss of the government's legitimacy, or appearance of charismatic leaders among the clergy holding extreme views, Islamic groups will very likely become active in Kazakhstan, especially in the southern regions bordering Uzbekistan.

For this reason, the pressure of Islamic fundamentalism brings a lot of uncertainty. First, the religious ideas introduced from the outside adhere to models of the social system and life style unacceptable for Central Asia. Secondly, they aggravate the already complex situation associated with the so-called national Islam and the traditional clergy. Thirdly, when encroaching on the cultural sphere of the Central Asian states, such religions threaten the development of the original national cultures. The cultural expansion of alien elements leads to the degeneration of traditional society and the degradation of resistibility to negative aspects of the global culture.

### 4. THE RELIGIOUS SITUATION IN KAZAKHSTAN: DUALISM OF ISLAM AND ORTHODOXY

The religious situation in Kazakhstan differs from other Central Asian countries by its degree of religiousness among the population, mainly due to its dynamic relations with Russia and the ethnic structure of Kazakhstan's population.

Interaction between the major religions of Kazakhstan—Islam and Orthodoxy—is a significant factor influencing the political situation in Kazakhstan. Relations between the traditional religions are stable at the moment. The consent and tolerance shown by the highest religious authorities is the realized necessity. Belonging to the Muslim or Orthodox community reflects the ethnic and cultural features of Kazakhstan's population, including two most numerous ethnic groups—the Kazakhs and the Russians. Thus, the territorial jurisdictions of Islam and Orthodoxy in Kazakhstan have their ethnical and cultural borders and are recognized by the corresponding religious institutions. Because of the specific dogmas, rituals and economic ways of the two nations, mass transition between the communities are unlikely. At the same time, the authorities support purposely the belief in public consciousness that takes into account the interests of the two traditional religions and because of this there is no conflict at the present moment and competition is only interdenominational.

A mutual distrust between the traditional religions may be overcome by virtue of the necessity for preserving internal political stability in Kazakhstan, and is due to the similarity of problems facing both of them: "pastoral care" within a community and "defense" against the aggressive pressure of other dogmas and denominations. Local authorities have taken into account Kazakhstan's cultural and national peculiarities when developing the religious policy that ensures an atmosphere of tolerance and interdenominational peace in the country. As a rule, representatives of both religions are invited to attend significant official events.

Uniqueness of the religious situation in Kazakhstan is expected to play an important role in propagation of expe-

<sup>1</sup> N. Nazarbayev. *Crucial Decade*. - Almaty: Atamura, 2003, p.98



rience in interdenominational cooperation and promote religious tolerance throughout Central Asia.

### 5. SIMULATION AND PLANNING OF THE REGION'S FUTURE

The church, as a social institute and spiritual authority, is capable of influencing the political moods of a society. It helps to disseminate uniform notions about the society's ideals and social norms among believers, and influences their perception of reality. Therefore, religious communities exert political pressure upon governmental authorities. Naturally, the government strives to control ("to patronize") their activities and to regulate the religious situation.

The governments of the Central Asian countries are now searching for models and resources in regard to economic, spiritual and geopolitical development. They need an ideological base for the state's construction—a national idea that will awake the people and inspire them with a new life.

Is traditional Islam, as a potential national religion, capable of propelling Kazakhstan's development and solving the rising problems now facing Central Asia during its integration? In fact, traditional Islam in Central Asia is a result

of stagnation and suppression of the spirit of Islam. The revival of Islam will inevitably liberate the dormant energy and the question is how to keep it from politicization.

Despite the domination of Islam in the religious life of Kazakhstan and its peculiar role in the nation's consciousness, the government should suppress any attempts to "nationalize" Islam to the prejudice of other traditional denominations, for instance giving Islam a legal status as the dominant religion, because such actions violate the principles of the existing relations between the state and the church. Though the national and regional construction is based upon Islam as the religion professed by the majority of the population of Kazakhstan and Central Asia, it is necessary to observe the principle of separation of religion from the State. In order to prevent dissemination of alien religious ideas in the region, such as fundamentalism and extremism, it is necessary to enhance the institutes of traditional Islam and attain a "religious autonomy" within the Muslim world.

The two spheres of "ideology and geopolitics" may be opposed against Islam's politicization as having a comparable effect. The ideology will allow for a national idea to be formulated in national interests, and for geopolitical reasons, that will justify the priority of maintaining national safety.



# China's Emerging Role and the Implications for Kazakhstan

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## THE EMERGING ROLE OF CHINA

China's role in the world economy and global politics has changed considerably during the last decade. In comparison to the 1980s, when China was an outsider country, the current outlook is generally positive that the country will become a world power. Thanks to its fairly elaborate reform policy, Beijing is the key power center in the international arena and the United States' main competitor in terms of certain macroeconomic indices.

The status of a world power is understood as an acknowledgment of the country's immense economic strength, its significant influence on international policy, and its military, scientific and technical potential. China has been acquiring all of these. Demographic potential is the next essential requirement for global leadership, and China is the world's most populous country.

According to recognized experts at the 2003 Davos Economic Forum, only China can prove the expectations for global economic regeneration, driving the world economy to the future<sup>1</sup>. Since the Davos Forum, China has proven this statement. Despite China's limited share in the global GDP (3%), it is the second country in the world in terms of national currency purchasing-power parity. For this reason, Chinese economic growth was a hot topic in Davos, during the 36th World Economic Forum in January 2006.

At the same time, the People's Republic of China is gaining international recognition more quickly than its economic growth rate is increasing. In the early 1970s, China was a fully isolated country: the United States and China had no formal diplomatic relations, and China joined the UN only in 1971. Today, no one in the world can ignore China's opinion because it plays a key role on the regional and global international arenas.

The Chinese experience may be unparalleled in modern international practice. After decades of isolation and years of controversial policies, China is becoming internationally recognized, developing from a 'rogue' country to a leader in a quarter of a century.

What does the new Chinese role in global politics mean for Chinese leaders? In our opinion, it is obvious that

China's communist leaders are gradually implementing a series of measures to strengthen the Chinese position in the world, namely:

1. Beijing is trying to increase its political weight in the world. It always expresses its opinion on vital local and international affairs. Beijing has developed new diplomatic tactics, including different types of pressuring, to make an impact upon international processes. Certain processes affect China, especially in connection with the specific policies in several countries towards Taiwan, NATO expansion, a unipolar global order and others. Today, the Chinese Foreign Ministry harshly reacts to any invectives against China, or events that infringe upon the national interests or the prestige of the country. China pursues the same targets regarding the reforming of the UN.

2. China's new role in global political affairs forces the Chinese government to create a new image of the country. At the moment, there are several primary steps to improving shortcomings in the ruling Communist party's image.

Medium-term targets to improve China's image are as follows:

- resolving the Taiwan issue,
- carrying out domestic political reforms,
- supporting the unity of the Chinese political elite and its loyalty to the party leadership,
- easing social tensions, and
- suppressing the emigration of Chinese people.

3. China has become active in the region, trying to become the sole leading country in Southeast Asia. Other regions, such as Asia Pacific and Central Asia, are also within Chinese strategic interests, but the specific features of Beijing's policy in these regions depend on fierce competition with other non-regional players.

4. The last, but not the least crucial step for Beijing to improve China's image as a new world power is modernizing the army. The army reform may be the deepest and far reaching process that the Chinese army has ever undergone. Some of the programs are available to the public, but not all of them may be studied and analyzed by outside observers<sup>2</sup>.

Obviously, the Chinese Communist Party intends to lead its people to world leadership. It is critical for the accurate analysis of China's development to take into

<sup>1</sup> The Policy of the People's Republic of China Today, Almaty, 2005, p. 69.

<sup>2</sup> The Policy of the People's Republic of China Today, Almaty, 2005, Chapter 2.



consideration that all of the above processes are in progress, and there are no reasons for the stagnation of economic or political reforms. The new Chinese political elite, which came to power in 2003, is expected to launch new initiatives, especially to restructure the political system, which most likely will stimulate all of the developments in China.

### GEOSTRATEGIC PROBLEMS RELATED TO THE STRENGTHENING OF CHINA

Beijing has achieved considerable progress in modernization of the system, and has got ahead in terms of reforms and international competition. At first glance, the Chinese policy priority is to renew the Great China, which sooner or later, will cause "a rivalry" between Beijing and Washington. Signs of strategic competition are observed in the areas in which the vital interests of the two countries coincide, including trade, economic and geostrategic areas; and this is the main trend in modern global politics.

The White House's anxiety regarding Beijing's behavior arises from the desire of the latter to occupy the dominant position in the global economy and politics, rehashing the world order established after the collapse of the USSR. This anxiety is more evident in view of the strategic partnership between China and Russia, and Beijing's increased activity in Central Asia. The US and China are trying to divide the opportunities for cooperation with the Central Asian countries.

The significance of this region for Beijing is explained by Beijing's mid-term and long-term political interests in its political-military and energy security. As the development of the western Chinese regions is equal to that in the east, Siberia and Kazakhstan will account for approximately 50% of energy imported to China, and the immense geostrategic significance of the Central Asian region for China will increase in comparison to the Asia Pacific and Southeast Asian regions.

However, China's communist leaders are expecting special actions to be taken by the US and its allies, focused at the suppression of Chinese growth. Washington's latest initiatives, such as the US withdrawal from the ABM Treaty, the expansion of NATO in Eurasia, the relocation of several military forces from old military bases in Europe to the Asian region, the lifting of the embargo on arms sales from Europe to China, as well as repeated blaming of China for violations of human rights, trade wars, etc., are considered by China as the US strategy to suppress Chinese growth.

Finally, the Chinese leaders consider the so-called "color revolutions" in the countries of the former USSR as threatening its national security. All of these revolutions, supported from abroad, set a dangerous precedent of a revolutionary change of leadership in independent countries that, in Beijing's judgment, may destabilize the situation in Central Asia—the area of strategic importance to China.

Nevertheless, further relations between China and the US depend on globalization processes, which can radically change the international relationships.

Globalization greatly affects modern society and the relationships between countries. In the near future, the

US and China may switch from rivalry to mutual dependence. This should naturally correct the trends in the foreign policies of these countries, including the political courses towards Central Asia.

However, despite the globalization processes, the new American-Chinese relations may lead to a new geopolitical reality regarding China's relations with third countries. Thus, a Moscow-Beijing alliance may disintegrate, while Taiwan may opt for a peaceful rapprochement with Beijing.

At the same time, negative trends in Chinese relations with neighboring countries create an adverse environment, making Beijing's further growth difficult. In this context, the second hot target for the Chinese leadership, after the Taiwan issue, is **increasing cooperation and strengthening security in Central Asia, which is directly connected with the "problem" of Northwestern China.**

The strategic partnership with both Moscow and Kazakhstan meets Beijing's vital interests. Therefore, main foreign-policy objective for Chinese strategists is to diminish negative trends in bilateral contacts.

### CHINA'S STRATEGIC INTERESTS: KAZAKHSTAN

In our opinion, Kazakhstan appears to be of specific interest to China. On the one hand, taking account of basic economic and geostrategic aspects, Kazakhstan has critical importance for Chinese security, and opens new paths for economic growth. On the other hand, the political development of Central Asia shows the obvious tendency for the countries to cooperate closely with NATO and developed Western countries. The "color revolution" in Kyrgyzstan lies outside of China's interests. Kazakhstan, which has trusting relations with China, was listed as one of China's diplomatic priorities.

Beijing is interested in further strengthening the Kazakhstani-Chinese bonds. And **Beijing is ready to speed up the development of Kazakhstani-Chinese cooperation in all areas.**

The impressive progress in bilateral relations is evident. The issue of the disputed areas has been solved promptly; the rapid and fruitful development of cooperation between the Shanghai Cooperation Organization (SCO) members puzzles foreign observers; the construction of the Kazakhstan-Chinese main pipeline is nearing completion (this being the first pipeline laid from a foreign country to China); and the Kazakhstani-Chinese Cooperation programs were signed to be in effect until 2008. In addition, China has made several proposals to construct new routes linking the two countries, and to initiate new means of economic cooperation within the new trade-economic zone. All of this indicates Beijing's desire to establish improved relations based on cooperation and partnership with Kazakhstan.

Today, there are many factors demonstrating the importance of good relations between Kazakhstan and Beijing, namely "natural" economic, military, political and image factors.

First of all, the region may become "a key that ensures the Chinese leadership will maintain the pace of developing the national economy"<sup>3</sup>. However, the mid-term prospects for further economic cooperation between China and the Central Asian countries are rather limited, in comparison to the current situation. The export of raw materials

<sup>3</sup> Ted Weihman. China Making a Diplomatic Push in Central Asia // [www.eurasianet.org](http://www.eurasianet.org), July, 2003.



and natural resources from Kazakhstan to China remains the main focus of bilateral cooperation. But, despite the obvious importance of trade-economic cooperation with China, this field of partnership is not considered a primary factor for facilitating successful dialogue with Beijing. More likely, it indicates the progress in our current political dialogue.

Generally, Beijing is assured of our mutual interest regarding all aspects of cooperation (in the 1990s, Kazakhstan and China signed a principal agreement on trade-economic cooperation in the power sector). For example, our countries have common security interests and general goals for national development.

Meanwhile, the next stage of transformation in diplomatic traditions began when Hu Jintao came to power, and today, Beijing prefers to use more direct and effective measures to advance bilateral relations with Kazakhstan and other countries of the region.

All of these facts are indicative of a new situation in Central Asia, in which Beijing has to cooperate in a new way. According to experts, because of the closed character of the Chinese foreign policy decision-making and national security strategy, the research methods applied to the Chinese policy should differ from those applied to other countries<sup>4</sup>. As regards the present interests of China, they should be considered broader, not only from an economic and security point of view.

Beijing's current affairs are viewed in a new perspective, taking into account the Chinese ambition to take over global leadership. Therefore, Chinese foreign policy has become far more nimble with regional issues being included in Beijing's primary diplomatic targets.

After all, China has reached a critical stage in its reforms<sup>5</sup>. Successful modernization is always followed by social tension, some signs of which are observed now in Chinese society. This is why the government is paying a close attention to social programs now. The main objective is ensuring stability and security in the country for 10-15 years and during the period of "victorious" foreign policy.

The new president of the People's Republic and his administration are expected to launch "fresh" initiatives in social and foreign policy. China's economic progress was achieved thanks to Deng Xiaoping; the restitution of Hong Kong and Aomin occurred due to Jiang Zemin; and Hu Jintao can solve the Taiwan problem as well as several other problems such as improving China's international image and strengthening domestic stability. According to this view, it is critical for Chinese leaders to implement several domestic reforms in China during the next ten years.

After all, not long ago, China considered the only problem in Central Asia to be the Xinjiang issue, which is important for the stability of China's western regions, and

the possibility of creating a new diplomatic image for China<sup>6</sup>. However, when Hu Jintao and his team came to power, following the important geo-political changes in the region, the role of Kazakhstan and the Central Asian region was strengthened in the Chinese strategy. **China's interest in Central Asia increases as Beijing's strategic power has grown and role of the region in global policy has changed.** Generally, the importance of the region in Chinese foreign policy is determined by its geopolitical role. Most likely, Kazakhstan and the Central Asian countries have already taken key positions in Beijing's strategic plans and, in the near future, we will experience these changes.

The strategic rethinking of the importance of Central Asia will affect China's intense activity there. In the event of negative trends in the region, Beijing can use all available economic instruments to fight for its interests and prevent such negative trends.

### IMPLICATIONS FOR KAZAKHSTAN

Beijing used to avoid forced cooperation with the Central Asian countries. But geopolitical changes after 9/11, and the events in Kyrgyzstan and Andijan (Uzbekistan) in 2005, have accelerated China's political course in this direction. Beijing is now conducting a contradictory foreign policy. On the one hand, it aims at encouraging cooperation and establishing its reputation in the region. Yet on the other hand, the Chinese leadership does not want to reveal strong interest for fear of unwanted opposition from Central Asia, and competitors from the West.

Taking account of the situation, it is time for Beijing to launch cooperation with the Central Asian region, its strategic partner in geopolitical, political, military, and economic spheres in the context of recent events. It seems that Kazakhstan has taken the key position in these processes.

Obviously, Beijing will use economic levers to promote its interests. During recent years, economic cooperation has been a priority for bilateral relations between Central Asia and China, as well as within SCO. However, there has been no remarkable progress, and economic partnerships play a minor role in comparison to political dialogue. The piecemeal growth of trade turnover<sup>7</sup> does not meet Central Asian expectations regarding economic cooperation. Given all this, it is quite possible that China will apply "aggressive tactics" while "strengthening economic ties".

Kazakhstan, in turn, is interested in deepening its general ties with China. Friendly relations with China are rather profitable in terms of security and economy. Yet due to external circumstances, our interests differ from those of Beijing. At first glance securing national self-interest, establishing a competitive economy, and providing security

<sup>4</sup> V. Voskresenski, S. Luzyanin. Chinese and Russian Factors in Central Asia: Traditional Challenges and Advanced Features// Vostok, 2003 No.3, p. 95.

<sup>5</sup> According to information from sessions of the National People's Congress and CPPCC National Committee // website of the China Internet Information Center 03/03/2004.

<sup>6</sup> Central Asia made a considerable contribution towards the Chinese "legalization" in the international arena, and the creation of its new diplomatic image. By constructive partnership with Central Asian countries, Beijing has proved its reliability as a partner, being involved in an equal dialogue on urgent issues, territorial included.

<sup>7</sup> In 2005, the sales volume between Kazakhstan and China amounted to \$5bn.



and integration in Central Asia are prime targets for Kazakhstan, which are in agreement with the Chinese expectations regarding Kazakhstan's behavior in Central Asia. China's leaders, as known, have generated the concept of a "prosperous neighborhood", according to which China is interested in contributing to the prosperity and security of its neighbors. But the Central Asian countries should bear in mind the specific character of Beijing's approach to providing the policy of a "secure and prosperous neighborhood" in the region.

The Middle Kingdom had no desire to fortify its position in other countries or to become open to foreign influence. Meanwhile, modern China's politics is rather different as compared to its traditional external contacts.

However, Kazakhstan and China are not equal partners in strategic aspects, because the Chinese military potential and weight in the international arena is far more substantial. It is difficult to compare the potentials of Central Asia and China in several areas of cooperation, because the gap is huge. In this sense, the initiatives for deepening cooperation expected to be launched by China may be considered as direct measures for expanding Chinese dominance in the region. Provided that Beijing has no similar plans, realizing the "secure and prosperous neighborhood" concept requires the active support of the powerful Chinese economy for regional political and economic development. And the specific model of China's

current development may cause the Central Asian countries to be involved in the Chinese circle of influence, which functions as an orienting point and leader.

Meanwhile, the trade-economic cooperation in current Kazakhstani-Chinese dialogue may accelerate the process. Beijing can implement its policy via such political instruments as SCO (an institutionalized structure for expanding Chinese influence), Chinese businesses, and the gradually increasing number of Chinese emigrants.

There is no doubt that Beijing may become a vehicle for developing Central Asia and stimulating overall progress in the region. China's location and its own potential ensure the country's leading role on the continent. In the meantime, a country cannot acquire the status of a great power without recognition and overall support by neighbors. Thus, in the event of China's pressing upon the Central Asian countries, the latter may stand against Beijing. And this will be harmful for its programs of development.

After all, it is possible to avoid contradiction in the development of cooperation, adjusting the different approaches adopted by both the Central Asian countries and China. Additionally, encouraging the development of the multiple-vector foreign policy implemented by Kazakhstan, together with the other Central Asian countries, and supported by real actions, will contribute to our mutual interests.



# Kazakhstan's Transit Potential: Key Components Assessment

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**T**he contemporary development of world trade determines the changes in the national and the global transport complex. In the first ten years of the 21<sup>st</sup> century, transport continues to perform such traditional tasks as satisfying the economy's transportation needs and maintaining foreign economic relations, while its form, role and significance is changing.

Transport plays an increasing role today, assuming worldwide importance; simultaneously transit is becoming one of the key functions of national transport systems. The development of the world's transport system and the optimization of freight traffic comprise the creation of the transport corridor network, including several national transport complexes as transit components.

Thus, a country's economic development depends, to some extent, on the creation and introduction of new, reliable transport systems and routes, cost savings and faster transportation.

Taking global trends into account, the successful development of some countries, including Kazakhstan, is associated with the national transport network, which must be adapted to the requirements of transit freight traffic.

After sovereignty was gained, the government of Kazakhstan made it a priority to determine efficient ways to realize the country's transit potential. The main practical steps in this direction have been taken during last five years. A number of important national and international documents concerning transport and communications have been developed and adopted; among them are the *Kazakhstan Long-term Development Strategy 2030*, the *Concept of the State Transport Policy of Kazakhstan by 2008*, the *Strategy for International Transport Corridor Development of Kazakhstan*, and several programs to develop transport, etc.

However, these developments were insufficient to achieve the potential output. Income from transit amounts to approximately 20% of the possible level.

The reasons are as follows: many aspects were not developed sufficiently; the arrangements to develop transit were not made in a timely fashion; and there were no financial, organizational, institutional or external conditions to implement large-scale projects and make great achievements.

Recently, conditions have become more favorable, but there is the risk of losing advantages and spending resources and time on secondary matters. Time is of great importance, as the region is experiencing changes in the geopolitical situation and the alignment of foreign political

forces; existing alternative routes are being developed and new competitive transport systems are appearing.

The main reason for the sluggish realization of the transit potential is the absence of its development concept. The very term "transit potential" is understood incomprehensively and non-systematically.

In general, a great deal of attention is given to specific problems such as transportation section construction, whereas system-wide and methodological problems are not resolved. This type of approach results in the misunderstanding of the term "transit potential".

At present, the development of transit potential has reached the practical stage, yet the theoretical and methodological aspects may seem to be of low importance. However, it is the detailed clarification of the issue, i.e. the concept-based approach that determines the prospects of the transit potential as a whole.

Let us try to give the definition of "transit potential", determine its components, and determine whether every component is taken into account when creating the strategy to develop the transit potential. Kazakhstan will serve an example.

As mentioned above, there is a fundamental misunderstanding about basic transport terms and their meanings. The most commonly used term is transit development. As a rule, it is defined as the increasing volume of foreign freight transportation, provided that points of departure and destination are outside the country. That is why the common meaning of the "transit potential" is a volume of potential transportation or the income derived from transportation. But as we see it, the transit potential means a capacity or potential of the country's market to provide transit services. The term "transit potential" must have a wider meaning.

First of all, transit potential is a combination of internal and external conditions and resources, which provide an opportunity for the state to maintain international transit through its territory. It does not mean that a state with a good geographic location possesses transit potential. At first, it is necessary to form this potential. Certainly, some of the aforementioned conditions and resources are a given and nobody can influence or change them. There are also conditions that must be formed. We may speak about transit potential only after basic factors are created and are in compliance with standards. The potential level or quality is assessed based on the quality of the whole complex forming the condition.

Let us turn to the components of transit potential.

The first group includes factors that cannot be changed by the state to improve transit potential.



First, we turn to the geographic location. "The place on the map" determines the potential attractiveness of the country for transportation through its territory. Ideally, the geographic location is favorable in terms of transit if freights are transported through the country's territory as soon as possible and the possibility of using alternative transport corridors is minimum.

Often countries declare their unique geographic location, but it is not exactly true. On the one hand, Kazakhstan has a favorable geographic location, connecting the Asian and Pacific region with Europe, and Russia with other countries of the CIS, the Near East, the Persian Gulf and the Indian Ocean. On the other hand, its location is not unique. Neighboring countries can suggest alternative transport routes bypassing Kazakhstan. Besides, Kazakhstan is a landlocked country without access to an ocean. Thus, this factor may be deemed satisfactory, but not excellent. When assessing and developing transit potential, it is critical to understand clearly the actual advantages and drawbacks of the geographic location.

Secondly, we turn to the geo-economic location, which refers to the economic environment of the state. It is important that countries that already use or may use transit routes through its territory are able to form a sufficient freight base. A favorable geographic location will provide no advantages if the state is bounded by underdeveloped countries with low foreign trade.

The economic environment of Kazakhstan includes CIS countries with developing markets and Middle Eastern countries relatively nearby. This group has not only a similar geographic location, but also common economic and political interests. The development of political and economic relations among these countries will determine the scale of transit through Kazakhstan.

The fact that the country is situated between Russia and China, two economic and political world powers, is of great importance. They have a considerable sales turnover and enormous economic potential to increase their foreign trade.

There are prospects that economic relations may be considerably intensified in the following regions: inside the CIS (Kazakhstan is interested in freight traffic between the European and Central Asian portions of the CIS); between the countries of the CIS and Southeast Asia (China, Japan and Korea); between Russia and the countries of South Asia (Iran, Iraq and India), and between Europe and Asia. Consequently, potential transportation through Kazakhstan's territory will increase.

Thirdly, we consider the geopolitical situation. The attractiveness of a transportation route is assessed not only on economic and technical factors. The country's political stability, the character of international relations and the influence of external forces determine the possibility of freight transit through its territory. Any change of the world's political situation—the appearance of instability, military actions or the sharpening of international tension—may significantly affect the direction of freight traffic. For instance, after the war in Iraq began, air transportation through Kazakhstan decreased. Tensions over Iran and North Korea, international transportation partners of Kazakhstan, also create conditions for changing freight traffic routes. No transport company will deal with states against which political or economic sanctions may be imposed.

The second group includes those conditions and resources that are formed by the state itself.

First, we consider the transport infrastructure. Surely, it is difficult to take advantage of geographic and geo-

economic location if suitable facilities (traffic arteries and means of transport in good conditions, airports, equipped frontier posts, etc.) are not available for transporting freights, passengers and information.

In general, the transport infrastructure cannot be developed uniformly. For example, in Kazakhstan transit is generally conducted by rail or road. However, the condition of the road and railway transport infrastructure is rather poor. The main bottlenecks are the low capacity of traffic arteries and their poor technical condition, high capital consumption, etc. If all potential freight owners wish to transit their freight through Kazakhstan, our country will not be able to convey such volumes.

Secondly, we must consider the regulatory and legal framework. Transport laws create a legal basis for the transport services market on the national and international levels. The legal framework maintains control over the basic components of the transport process, such as technical facilities, social and economic factors, entrepreneurship in the transport sector, and the participation of the national transport complex in the international transport system. Kazakhstan has adopted approximately sixty laws and statutory acts concerning the transport and communications complex and governing transit and transport security issues. Thus, the legal framework has been formed. The question is whether it is balanced, how laws and legal acts are observed, and to what degree Kazakhstan's regulatory and legal framework complies with international standards.

Thirdly, we must consider interactions with other countries to develop international transport corridors. It is impossible to accomplish international transportation without having established sufficient international cooperation and having constructed a model of this transportation in a particular country. Thus, international agreements and standards are essential for creating the basis for developing international transportation.

The results of interaction with other countries depend not only on the transit state, but also on its partners. Nevertheless, its implemented policy and ability to advance interests and compromise are of great importance. Presently, Kazakhstan has concluded numerous bilateral and multilateral agreements concerning transport. However, transport cooperation has not reached the required and sufficient level. The diversity of economic and political interests still has a negative impact. Each country aims to increase its income derived from transportation, without taking into account other countries' interests. Practical mechanisms to implement the adopted international agreements on the national level have not been developed.

We have considered only the basic transit components. Our review showed how many requirements must be met to form the transit potential and create the conditions for its realization.

Numerous factors form the transit potential of our country, which is why contemporary transit is, first of all, a complicated phenomenon. It requires the constant and sequential analysis of its components and the forecasting of its quantitative and qualitative parameters.

Presently, our country is developing its transit policy, improving its divisions and forming new directions. The main objective of the transit policy is to ensure the maximum realization of Kazakhstan's transit potential, taking advantage of the country's geo-strategic potential, its resource base, and its institutional and structural system.



# Kazakhstan's International Economic Relations

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**K**azakhstan's international economic relations play an important role in its development as an independent sovereign state. In order to solve the economic and social problems of the country, the whole system of international economic relations must be changed in light of the international division of labour amongst the world's countries.

It is generally admitted nowadays that even the largest and most developed countries are not independently able, without any relations with other countries, to make technological and economic progress and provide conditions for the efficient production of all necessary goods and services. These kinds of tasks can only be successfully resolved by international cooperation, which is especially important for underdeveloped countries.

Kazakhstan is a country which can be simultaneously specified by the features of a developed country (general literacy of the population, a wide range of higher educational, research and design establishments) and those of an underdeveloped one (the extractive sector overweighting, environmental pollution in many regions, heavy demand for foreign investments and new technologies, underdeveloped infrastructures). Despite having a vast area (the ninth largest in the world) and intercontinental location (almost land-locked), Kazakhstan is too far from the international transportation routes, and railway and pipeline transport is not developed enough. Consequently, the country should take any chance it can get to be integrated in the world economic community.

Nursultan Nazarbayev, President of Kazakhstan, found a solution for the above problems by promoting innovations in the economy and developing the secondary sector. The innovation strategy, emphasizing economic diversification, has been developed and launched.

The national economic competitiveness should be based on priority industries which have a great potential for further development and competitive ability.

The infrastructure for innovation development has now been built. In 2004, 204 innovation projects were implemented, and half of them were supported by development institutions [1, p. 64].

Different countries may be motivated to extend their economic relations not only in order to find the foreign market outlets for their products, but also to make up a shortage of some domestic products and services.

Kazakhstan's government, when developing international relations, should consider not only expenses related to the export and import of products, but also the quality adequacy of imported goods, technologies, machines and equipment with regard to consumer expectations. The benefits of higher rates of productivity and efficiency of the imported equipment and technologies should be as important as cost savings.

The external economic relations provide an important source of additional capital investment by attracting foreign investment and establishing joint businesses. Obtaining foreign investment made it possible to reduce the time it takes to develop new economic regions, such as oil and gas fields in West Kazakhstan. As a result, a number of socio-economic issues have been settled within shorter periods.

Kazakhstan has a more varied natural environment, a richer diversity of minerals, and a larger internal market than many CIS countries. These conditions are able to promote a diversified economy, less dependent on the external market. However, the integration of Kazakhstan in the world economic community is essential due to the impossibility of developing production facilities, efficiently producing all types of industrial products, without developed countries' research and technology.

According to the absolute economic indices, such as production of oil, gas, nonferrous and rare metals, and grain, Kazakhstan is one of the potential partners in international trade, but, according to the relative economic indices, it is far behind the CIS countries (both in volume and per capita terms). It means that Kazakhstan's participation in the international division of labour is still not adequate.

In order to stimulate Kazakhstan's participation in the international division of labour, it is necessary to extend the rights of the primary level entities, including allowing direct outlet to the external market. This is particularly a concern for the current reformation of the external economic relations management.

In my opinion, Kazakhstan's external economic relations need to be regulated by a special law. It is even more important because of the growing impact of globalisation on the development of the national economy.

The world economic growth closely correlates with international economic cooperation. In particular, the world economy depends on the rate of world trade expansion through all international trade flows. It is well known that



international trade grows faster than production. According to WTO research, 10% growth in world production matches up to a 16% increase in world trade [2], and any trading problems affect the production. Inversely, the world trade depends on production trends.

Currently, resolution of the most serious economic problems requires close economic cooperation among countries. Such cooperation includes not only obtaining humanitarian aid but also funds. Actually, both types of infusion are strictly limited. Besides, loan amounts depend directly on a country's creditworthiness. Therefore, Kazakhstan should increase exports to gain other countries' confidence in Kazakhstan as a reliable trading partner. However, priority countries to develop economic relations with should be chosen.

In a developed market economy business entities themselves take these decisions. The government may control the situation by stimulating or restraining some types of external economic relations.

Our country, however, is at the initial stage on the way towards a developed market economy. Therefore, the regulating role of the Government is still very important. That is why the government's economic strategy and foreign policy, which, at last, focuses on the economic and social revival of Kazakhstan, are of keen interest.

When speaking about Kazakhstan's possible partners in international economic cooperation, we should first of all decide on groups of countries to focus efforts on.

It is beyond any doubt that Kazakhstan should continue economic cooperation with the Central Asia countries. There are a lot of different ties, not only economic, between Kazakhstan and these countries which maintain a strong mutual dependence. Further uncontrolled destruction of such ties may provoke a vast number of problems and losses. The same could be said about Kazakhstan's relations with the CIS and East European countries. But the importance of these two directions in international cooperation must not prevail over others under any circumstances.

Nursultan Nazarbayev noted in his book *Independence of Kazakhstan: Lessons of History and Contemporary World* that integration efforts in one direction must not mean rejection of integration in other directions. Not all the broken economic ties with the former Soviet countries can be restored, as partial replacement by the other partners has already taken place. Besides, we should take into account the transitional state of our economy and complicated mechanisms of world economic ties. In the circumstances, it is reasonable to expand and consolidate economic cooperation with the West and Southeast Asian countries which have already gained huge experience in international cooperation.

The national and economic needs of Kazakhstan are so complicated and so diverse that they may only be satisfied by expanding cooperation with different countries or groups of countries, in other words, both with developed and developing countries. It is just as important to choose the right proportions of cooperation with different partners.

There is no doubt about the particular importance of the economic relations with the industrially developed countries of the West. Unfortunately, Kazakhstan is not yet ready for full-scale economic cooperation with the Western countries - neither as an exporter, nor as an importer. At present, we cannot export anything except raw

materials (oil, gas, coal, metals, and grain). As the Western countries continue to reduce material and energy consumption in their economy, our prospects are not very bright. In order to realize export possibilities connected with different scientific projects based on the conversion of military production, Kazakhstan needs more time and money than it has. In many aspects, the Kazakhstan market is still alien to the West. This is for many reasons, including limited importing possibilities, caused by deficiencies in currency and other resources.

The major concern should be determining the right strategy for economic development with assessment of the real needs and possibilities of Kazakhstan, its place and role in the European and Asian economy and in the world community as a whole. In carrying out the economic reforms aimed at stabilization of the economic and political situation, it is very important not to suspend the practically inevitable, in current circumstances, stage of import substitution and not to allow the overdevelopment of import substitution industries, as happened in most developing countries, resulting in an inefficient economy and foreign balance deficit.

The processing industry, with its very ramified and multilevel structure of production, cannot develop successfully by being isolated within the boundaries of one country, even a very large and highly developed one. This has become extremely obvious at the present rate of scientific and technological progress, which considerably complicates industry structure and the expansion of the range of manufactured products. In agriculture, which is the basis of any society's vitality, or at least in the key agricultural sectors such as grain, cattle, and vegetable production, it is reasonable, due to historical experience, to ensure full self-sufficiency.

The development of industrial exports, a very urgent task, should mainly be implemented on the basis of the diversification and improvement of export structure, in other words, by promoting the products of the processing industry to the world market. Compared to the primary sector, the possibilities of specialisation and co-operation in this industry are limitless. Besides, the demand for industrial goods is considerably more elastic than for raw materials.

Further market transformations in Kazakhstan, and the revival and development of the national economy are closely connected with attracting foreign investments. Moreover, the huge external debts mean that Kazakhstan is in great need of foreign entrepreneur capital, the advantages of which over the loan funds are beyond any doubt.

According to the Ministry of Economy and Budget Planning of Kazakhstan, the country is now able to use foreign investments of \$3.5 billion to \$5 billion annually.

Unfortunately, there are some negative factors directly or indirectly influencing the investment climate in Kazakhstan. The country has no reliable transport links with the markets of Europe, America and Asia. A weak and unstable legal base does not enable foreign companies to be sure of the near future and to expect a return on the invested capital.

It is now obvious that the stable development of Kazakhstan can be ensured by high investment activity (Kazakhstan is second after Russia amongst the CIS countries).

At present, Kazakhstan is developing financial cooperation with a range of the international financial and economic organisations, such as the IMF, IBRD, ABD, EBRD,



IBD, and with the representatives of donor countries, such as Japan, South Korea, the USA and others.

The government, in attracting foreign investments, should be concerned about the terms and conditions of them. In fact, in a few years they may turn into a financial burden for ordinary people.

Investment inflows are mainly directed to the mining industry of Kazakhstan. We can speak about the efficiency of investments when they are directed to agriculture, industry, and infrastructure. However investment inflows amounting to over \$30 billion during 1992-2004 couldn't significantly improve the situation for production, working places and many other social issues (environment, demography, etc.).

World practice shows that, unlike Kazakhstan, those countries that have considerable investment inflows are not rich in mineral resources.

The agribusiness industry of Kazakhstan, particularly raw material processing, is a wide field for foreign investors' activities. The country's potential in the wheat export currently reaches 5 million tonnes, and it is estimated to reach the level of 10 million tonnes in the near future. According to the international organisations, Kazakhstan is one of the few countries in the Asian region and among the CIS countries that provides itself with food. There is great potential for further development of the Kazakhstan food industry because the main sale outlets are located along the borders of the country.

Thus, one of the main current tasks is to create a favorable investment climate. To date, a number of laws, promoting external economic activities, have been enacted. As a result, the telecommunications are being modernised, high technology space communications are being introduced, and fiber channels are being laid down. Encouraging results have been achieved in the transportation system. The Trans-Asian Trunk has almost been constructed, through which Kazakhstan will obtain an access to sea ports of the Indian and Pacific Oceans. The Druzhba railway station on the boundary with China is being reconstructed. It will increase the traffic and tonnage capacity of the railways, as well as commodity turnover in Eastern and Southern-East directions. Regular air routes linking Kazakhstan with countries in Europe (Germany, Holland, Austria, and Hungary) and Asia (China and Turkey) have been opened. Some other new air routes are planned to open in the near future.

Nursultan Nazarbayev defined a nationwide objective: to achieve, by 2010, twice as much GDP as was achieved in 2000 and to change the structure of the national economy as the result of implementing the innovation model for development [1, p. 54].

Kazakhstan's foreign policy should play an extremely important role in the resolution of the tasks of social and economic development. The current foreign policy should include, among others, the following objectives: entering the WTO, developing economic cooperation with countries in Europe and Asia, and expanding relations with the world community as a whole.

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## PRESS RELEASE: A joint study of restructuring in the NMS and NIS: first results now available to the broader public

*Gulnur Rakhmatulina is a Senior Research Officer of the Kazakhstan Institute for Strategic Studies under the President of Kazakhstan, Ph. D in economics.*

*On 9-10 December 2005 in Moscow, Gulnur Rakhmatulina took part in an international conference as a representative of the project "Structural Change in Industry, Trade and Foreign Direct Investments in the New Independent States: Experience and Lessons of the New EU Members" coordinated by the Vienna Institute for International Economic Studies.*

*During the conference Gulnur Rakhmatulina presented her report "The Structural Change of Kazakhstan's Economy". In this report she analysed the key trends of Kazakhstan's economic development, and revealed the government's measures aimed at diversifying the economy and actions for achieving the strategic goal to be ranked among the 50 most competitive economies.*

*This report and those of the other participants can be found online at <http://www.wiiw.ac.at>.*

*We also present a press release of the studies conducted under the auspices of the project "Structural Change in Industry, Trade and Foreign Direct Investments in the New Independent States: Experience and Lessons of the New EU Members" run by the Vienna Institute for International Economic Studies.*

**I**NDEUNIS, an international research project coordinated by the Vienna Institute for International Economic Studies (WIIW) and financed by the European Commission from the 6<sup>th</sup> Framework Programme, brings together ten research institutes from **Austria, Poland, Hungary, Estonia, Finland, Russia, Belarus, Kazakhstan and Ukraine** who jointly investigate the recent experience with economic transition, industrial restructuring and integration in both the New EU Member States from Central and Eastern Europe (NMS) and selected Newly Independent States (NIS: Russia, Ukraine, Belarus, Kazakhstan and Moldova).<sup>1</sup>

The papers from the first stage of the project analyse patterns of structural change, trade specialization and the role played by foreign direct investment (FDI). Structural change, economic integration and the relevant experiences were investigated by WIIW (Austria), the Institute of Economics of the Hungarian Academy of Sciences (IE HAS), the Foreign Trade Research Institute (IKCHZ, Poland) and the Institute of Baltic Studies (IBS, Estonia) for the NMS. A similar research for the NIS was undertaken by the Institute for International Economic and Political Studies of the Russian Academy of Sciences (IIEPS, recently merged with the Institute of Economics, RAS), the Development Center (DC, Russia), the Centre of World Economy and International Economic Relations at the Institute of Economy, Belarus Academy of Sciences (CIES), the International Centre for Policy Studies (ICPS, Ukraine) and by the Ukrainian, Belarusian and Kazakh experts O. Pindyuk and G. Rakhmatulina. The effects of FDI on the structure of industrial production and trade, as well as the performance of foreign investment enterprises (FIEs) and non-FIEs, were investigated by wiiw, IKCHZ and the Turku School of Economics

and Business Administration (TSEBA, Finland). Additional papers on selected country-specific problems and experiences relevant for the formulation of policy recommendations regarding restructuring and integration were elaborated by IKCHZ, IIEPS, DC, ICPS and CIES.

The main findings of available INDEUNIS papers can be summarized as follows:

Research conducted by wiiw illustrates how the NMS, and recently also the NIS, experienced an impressive productivity catching-up process, at both the macroeconomic level and in the manufacturing industry in particular. The structural changes observed during the past decade brought especially the NMS nearer to the economic structure observed in the EU. Productivity catching up in both the NMS and the NIS results mostly from productivity gains in individual sectors of the economy while employment shifts had only a marginal impact on aggregate productivity growth. The shadow side of the rapid productivity growth is a difficult situation on the labour market. Estimates show that economic growth below 4%-5% per year will not be sufficient to generate additional jobs. The required further productivity convergence may thus be in conflict with urgently needed employment growth.

Two papers by IE HAS analyse the evolving patterns of trade with the EU using new empirical procedures. They show that the extent of trade specialization exhibited a declining trend in general; the indices of specialization have also tended to converge. For particular product groups, the indices displayed greater variation with particularly large differences between the EU (including the NMS) and the NIS.

FDI effects were examined in the second paper by wiiw. The strong FDI increases in the NMS have been the result of coinciding favourable investor- and location-



specific conditions. The majority of NMS followed the mainstream approach with a rapid opening-up to international capital flows as they needed new capital and technology while providing market access, cheap assets and labour to potential investors. Recently, export demand has become the major driving force of manufacturing FDI while the access to local markets attracted FDI in the services sector. Manufacturing FDI increasingly concentrates on the more internationalized industries such as the automotive industry and electrical engineering. Foreign penetration has supported the upgrading of industrial structures and improved competitiveness. The role of foreign investment enterprises (FIEs) and special economic zones (SEZs) in the restructuring of Poland's industry was explored in more detail in the paper prepared by IKCHZ.

The reverse investment flows – outward foreign direct investment (OFDI) – were investigated by TSEBA by the example of the Russian Federation. By the end of 2004, Russia's OFDI stock already exceeded USD 100 billion. The majority of Russian OFDI is carried out by large industrial conglomerates. Motivations include expanding markets overseas, strengthening control over the entire value chain internationally, and acquiring strategic assets in order to improve global competitiveness. Most Russian outward investments are made in the NIS and in South-Eastern Europe. Resource-based companies in the oil, gas and metal industries are most active, with manufacturing and telecommunication enterprises following suit. Foreign investments and acquisitions have considerably assisted Russian enterprises in strengthening their global market positions and accessing new markets and resources.

The paper by IBS reviews the economic development in the whole Baltic Sea region. The three Baltic states (Estonia, Latvia and Lithuania) were the first to manage to stabilize their economies after the collapse of the USSR, yet at the cost of the loss of the previously dominant Eastern markets and a large part of their industrial assets. Compared to the Nordic states such as Finland and Sweden, the policy responses to the crisis and the outcomes of the resolution of the crisis varied. While the Nordic countries employed rather pro-active approaches for upgrading the existing competitive assets, the Baltic states, as well as Poland and Russia, focused predominantly on the stabilization of the macroeconomic frame-work, paying relatively little attention to the actual capability of industry to cope with the rapid changes. As a result, there was a strengthening of industry in the Nordic states and a demolition of a large part of inherited, although largely uncompetitive, industries in the Baltics.

A critical evaluation of the Russian transformation strategy and its effects on the structure of industry and exports was performed by IIEPS. Their paper argues that structural changes in Russian industry have nothing to do with transition to a post-industrial economy, but rather reflect the nation's dramatic de-industrialization. Unfavourable structural shifts were accompanied by an overall economic degradation with industry in particular losing the ability to manufacture a wide range of technologically advanced products. The recent discussions indicate a tendency towards a possible revival of industrial policy and, as the authors hope, may bring about positive structural changes for the economy and for industry in particular.

The first paper by DC examines exchange rate policy scenarios and their impact on Russia's economic growth and industrial structure under alternative oil price levels. The second DC paper analyses the growth of the Russian economy that followed after the financial crisis of 1998. One of the growth factors was a sharp decline in labour costs and the improvement in price competitiveness, especially in industries that are oriented towards local markets. These sectors managed to improve labour productivity and are the most dynamic ones. Unfortunately, their contribution to the total gross value added is relatively small. Two negative trends have become apparent recently: unit labour costs in manufacturing have reached their pre-crisis level while the price competitiveness has deteriorated. The further development of the Russian economy depends on the ability of industry to gain control over costs and productivity improvement – both impossible without further restructuring.

Ukraine's foreign trade restructuring is analysed in the paper written by O. Pindyuk. As a relatively labour-abundant country, Ukraine exports mainly labour-intensive goods. Over the period 1996-2004, the NIS share in Ukrainian exports nearly halved and the share of the EU-15 and the NMS increased. Apparently, these changes were accompanied by some industrial restructuring. However, Ukraine has not yet achieved the destination point of its foreign trade restructuring as it still exports mostly goods with a low degree of processing, exports remain highly concentrated and the country has so far been unable to reduce its excessive energy consumption. Human capital is not important in determining directions of foreign trade yet; the low returns on education under a relatively high proportion of people with high education indicate the human capital mismatch in the country.

Belarus represents a very specific example of restructuring. As described in the first paper by the CIES, the economy is dominated by about 100 huge enterprises, most of them established already during the Soviet period. FDI inflows have been extremely low. Foreign trade specialization exhibits a distinct dual structure between the Russian (NIS) market and that of the EU. Obviously, such a development model is potentially not sustainable. As shown in the second Belarus paper, survey results indicate that this challenge is compounded by the low R&D and innovation activity, the backward export structure and the lack of international economic integration.

The structural changes in Kazakhstan were analysed in two separate papers. The IIEPS investigated in detail the major directions of Kazakh structural change, their similarities and differences compared to Russia (e.g. regarding resource-orientation and FDI policies) and factors that affect the direction of restructuring. The second paper prepared by the Kazakh expert G. Rakhmatulina comes to similar conclusions regarding the structural distortions and related risks for economic developments, it is however more optimistic regarding the outcomes of the current government efforts which aim at a diversification of the economy, its structural rearrangement and a qualitative break-through in all development directions. Kazakhstan aims at the successful integration into the global community and aspires to become the regional leader in the area of political and social-economic development.

<sup>1</sup> The first results from the INDEUNIS project ("Industrial Restructuring in the NIS: experience of and lessons from the new EU Member States") have just been published – see [http://www.wiiw.ac.at/e/research\\_networks\\_indeunis.html](http://www.wiiw.ac.at/e/research_networks_indeunis.html). Apart from individual research papers, the INDEUNIS website provides a detailed description of the entire project, its individual work packages as well as contact addresses of the participants.



# International Conference “Ten Years of the Shanghai Co-operation Process and Regional Security Challenges in Central Asia”

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**B**ritain's International Institute for Strategic Studies held the international conference “Ten Years of the Shanghai Co-operation Process and Regional Security Challenges in Central Asia” on 27-28 January 2006 in London.

Experts from Shanghai Cooperation Organization (SCO) countries (Kazakhstan, Russia, Uzbekistan, Kyrgyzstan, Tajikistan and China), observer states (India, Pakistan and Mongolia), as well as researchers from the U.S., Britain and France took part in the event.

The conference comprised several significant sessions: 1) Ten Years of Shanghai Cooperation: Achievements and Shortcomings; 2) The SCO and Threats to Security in Central Asia; 3) The SCO and Political Development in Central Asia; 4) From Security Cooperation to Economic Integration; 5) The Outlook for Expansion: Beyond Central Asia; 6) The SCO and Other Regional Players in Central Asia: The Outlook for Cooperation.

The first four sessions took place on January 27, 2006.

During the first session, reports on the geopolitical role of the SCO in Central Asia were presented. The session was opened by a report from one of the leading experts on the SCO—Professor Chufirin, Deputy Director of the Institute for World Economy and International Relations of the Russian Academy of Sciences. The report viewed the SCO as one aspect of a new regional order in Central Asia. Professor Chufirin considered the dynamics of the SCO's development as an organization operating within Central Asia and as an external political player capable of bringing regional security problems to a new level. He paid close attention to the importance for seminal cooperation between China and Russia, the key SCO participants.

The next report was presented by Sanat Kushkumbayev, Deputy Director of the Kazakhstan Institute for Strategic Studies under the President of Kazakhstan. He analyzed the prospects for the development and potential

macro-regional positioning of the SCO given the results of the summit of July 5, 2005.

A research officer from Uzbekistan's Academy of Sciences' History Institute, Mr. Rakhimov, looked at the dynamics and outlook for the SCO's development in his report.

Dr. Jiao Huachen, Director of the Centre for Russia and Central Asia, concentrated on the SCO's impact on Chinese policy towards Central Asia, priority cooperation plans and possible threats to regional security faced by the SCO.

The second session was opened by Mr. Bogatyrev, Director of the International Institute for Strategic Studies under the President of Kyrgyzstan. According to his presentation, the SCO can and should become a structure capable of facing non-traditional challenges, if it is to become a site for truly effective development of member countries and a system of mega-regional security.

Faredun Horizodah, the Standing Coordinator of the Program Secular-Religious Dialogue in Tajikistan, focused on Afghanistan's influence on Central Asian security. Kazakhstani political scientist, Yerlan Karin, analyzed the problem of terrorism in Central Asia and regional cooperation as a tool to combat terrorism. The second session also included a report by Dr. Ivashita from Hokkaido University who provided insight into the SCO's experience of resolving regional transboundary disputes. He considered the experience of delimitation of borders between China and Central Asian countries after the collapse of the USSR and the dynamics of subsequent cooperation in the frontier areas.

The third session was dedicated to discussing the SCO's influence on political developments in Central Asia. The session was opened by Professor Zvyagelskaya, Deputy Director of the Moscow-based International Centre for Strategic and Political Studies, who spoke about the sources of political extremism in Central Asia. In her



opinion, these sources can be divided into two major groups: social anxiety and protests from clannish groups excluded from political life.

Political building in Central Asia was also discussed in the report by Mrs. Haidarova, a consultant for the NGO Society and Law. She concentrated on the role of government and civil society in confronting the threats to security in Tajikistan. The researcher divided the factors influencing external and internal security in Tajikistan into positive and negative factors. Integration with the SCO may have an impact on resolving problems, such as forming an alternative military service and a professional army.

Mrs. Matveyeva, a consultant for Britain's DFID, focused on political development in Central Asia and the shaping of a regional security program. Her report highlighted the issues of combating illicit drug trafficking and the upsurge of crime. According to Mrs. Matveyeva, only political integration and gradual modernization of the political systems may change the existing situation.

The next session was opened by Mr. Paramonov, a Research Officer from Uzbekistan's Centre for Economic Studies, who outlined major trends in trade and economic relations within the SCO and discussed the economic feasibility of integration with this organization. This theme was continued by the report given by Dr. Chuanji of the Institute for Russian, East European and Central Asian Studies under the Chinese Academy of Social Sciences. He provided a Chinese perspective on the problems of regional economic cooperation, focusing on integration in Central Asia and competition between different integration components. The scholar believes that establishing free trade zones in Central Asia might serve as a powerful impetus to the economic development of the SCO members.

The first day of the conference was concluded by a report from Mr. Suyunbayev, an Assistant Professor at the Kyrgyz Foreign Ministry's Diplomatic Academy. He emphasized that Central Asian countries could not be viewed as equal economic partners for either China or Russia. According to the Assistant Professor, cooperation between the regional states needs to be improved prior to boosting trade and economic relations with China and Russia.

The second day of the conference focused on two major blocks of issues. The first session dealt with the outlook for expanding the SCO. Dr. Singh Roi, an Expert from the Institute for Defense Studies and Analysis of India, opened the session with a report. The author outlined India's interests in Central Asia and concentrated

on the advantages of energy cooperation. Her report analyzed projects for creating trade and transport corridors. The fight on terrorism received special attention as well.

Dr. Hassan Nouri, a Senior Research Officer at the Institute for Political Studies of Islamabad, Pakistan, pointed out the reasons why Pakistan takes part in the SCO's activities. His report focused on the potential advantages the SCO would gain should Pakistan become a member. Special attention was paid to the organization's anti-terrorism potential.

Professor Tuvsintugs, Deputy Director of the Mongolian Institute for Strategic Studies, presented the last report in the session. He said that, being a country between Russia and China, Mongolia had long been dependent on the policies pursued by both. It is crucial for Mongolia to be an observer, and, prospectively, a member in the SCO, given that the organization is important for both Russia and China.

The final block of issues considered by the participants included the outlook for cooperation between the SCO and other external players in the Central Asian region. Dr. Gomar, an Expert at the French Institute for International Relations, pinpointed the prospects for relations between the EU and the SCO, and NATO (a possible counter-partner) and the SCO.

Dr. McGleenchi of George Mason University analyzed the U.S. approach to the SCO. He noted that the SCO is viewed as insufficiently effective in Washington. After the events in Kyrgyzstan and Uzbekistan, as well as the SCO's Summit in Astana, the Organization's policy has included hidden threats to future U.S. policy towards Eurasia. However, the American researcher believed that it would be a great mistake for Washington to increase political pressure on Central Asian countries to further democratize them and improve the human rights situation.

Professor Allison of the London School of Economic and Political Studies concluded the conference. The Professor focused on the prospects for NATO-SCO cooperation, reminding the participants that Central Asia provided invaluable assistance during the anti-terrorism campaign in Afghanistan. The British researcher said that the Alliance needed to pay closer attention to dialogue with Russia and China, and that the Central Asian states played a special role in regards to cooperation on Afghan problems.

The event's organizers plan to develop practical recommendations for interested organizations from the EU, U.S., SCO members and observers, based on the conference results.