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THE CENTRAL ASIA-CAUCASS ANALYST

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KEY ISSUE: A short 75-word statement of your conclusions about the issue or news event on which the article focuses.

BACKGROUND: 300-450 words of analysis about what has led up to the event or issue and why this issue is critical to the region. Include background information about the views and experiences of the local population.

IMPLICATIONS: 300-450 words of analysis of the ramifications of this event or issue, including where applicable, implications for the local people's future.

CONCLUSIONS: 100-200 words that strongly state your conclusions about the impact of the event or issue.

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Those interested in joining *The Analyst's* pool of authors to contribute articles, field reports, or contacts of potential writers, please send your CV to: <scornell@jhu.edu> and suggest some topics on which you would like to write.

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CHINA'S SILK ROADS AND THEIR CHALLENGES

Stephen Blank

Few realize that China is actually building three Silk Roads, one through Central Asia to Europe; a second, maritime one, through South East Asia to India and South Asia; and third, China is building a robust commercial network through the Arctic to connect it with Europe. In all three cases there is a common geopolitical dream that has been shared by Russian and Asian leaders since the opening of the Suez Canal: building a land-based alternative connecting East, South, and Central Asia to Europe by purely terrestrial means. China's plans for Central Asia are extraordinarily ambitious but there are serious problems that could undermine them.

BACKGROUND: In pursuit of these geoeconomic and geopolitical goals that would bind Asia to China ever more closely through commercial means, Beijing has recently allocated US\$ 40 billion dollars for the first Silk Road alone, on top of all of its previous large-scale investments in Central Asia, information systems, telecommunications, transportation, energy pipelines, and infrastructure. Indeed, China's Silk Road is the only one, for the American program has turned out to be a bureaucratic and political bluff with few resources or any sustained high-level drive behind it. Moreover, Russia provides no real competition for the foreseeable future.



(Source: [Wikimedia Commons](#))

Indeed, Chinese President Xi Jinping promised Russia it could take part in China's Silk Road, leading prominent Russian officials like Sergei Ivanov to argue, in Beijing, that the Silk Road will link to Russia's Baikal-Amur and Trans-Siberian railroads. Nevertheless there are no guarantees that Russia will play a major role here. Thus Russia's dream of an iron Silk Road to Asia or a north-south connection to India and Iran through Central Asia has suffered a serious blow due to lack of capital. China's magnanimity cannot conceal its victory over Russia and Russia's inability to compete in these domains. Russia must now resign itself to being a "junior brother" in such endeavors even while endlessly trumpeting its Eurasian great power role. Given the expansive geostrategic benefits that will accrue to China as it realizes its Silk Road vision, the evolving Sino-Russian relationship on this issue could entail a massive and decisive Russian strategic defeat in Eurasia rendering it here, as in energy, China's raw materials appendage.

However, the potential for future Russian resentment is not the main

challenge confronting China. Rather it is the confluence of economic slowdown with stubborn unreconciled ethno-religious opposition by Chinese Muslims in Xinjiang to China's domestic policy. Unrest has been mounting in Xinjiang among China's Muslim Uyghur population since 1980 and China has found no solution, despite massive Han colonization and investment in Xinjiang. 15 people were killed in the most recent outburst of violence and 96 people died in incidents during 2014. China has sent in 3,000 more troops to quell the uprising and Beijing is also considering economic-political plans that would induce Uighurs to leave Xinjiang and settle in China's interior.

IMPLICATIONS: Both Han colonization and dispersal strategies for the natives are traditional imperial and colonial responses to the challenges of running an empire but there is no sign that either of these tactics will succeed in reconciling the Uighurs to their fate. Even if they did move voluntarily, China runs the serious risk of commingling ethnically disaffected people with socially disaffected ones at a time of slowing economic growth. But if the Uighurs refuse to move, the massive investment called for in these new ambitious Silk Roads will unlikely bring inter-ethnic harmony to the area.

Since China's Central Asian policy has been a projection outward of a policy of massive trade and economic development – all good Leninist solutions to the nationality problem ascribed to uneven levels of socio-economic development – continued

instability will raise serious questions to the viability of the new Silk Road. The confluence of slowing growth in China and the visible failure of Chinese policy to stabilize Xinjiang must give all observers of Central Asia pause. If China cannot make its Silk Road work at its originating terminus in Xinjiang and its economy slows, for how long can it sustain its growing economic clout in Central Asia or remain stable at home? Any destabilization of China or lurch towards more coercive Chinese policies entails global economic and strategic repercussions that inevitably cast a major shadow on Central Asia and the entire Silk Road project.

These are not idle questions. Obviously Beijing takes the unrest in Xinjiang most seriously as it has reinforced its forces there and the Silk Road is very clearly both a priority and prestige project for President Xi Jinping. Moreover, the Chinese money market is of key importance to Central Asian states, which raise their money in Shanghai, not New York or London. We may also ask how strongly China can sustain what appears to be an increased level of support for and participation in Afghanistan's economic life if its own domestic Central Asian base is somehow compromised. We have already seen instances of Chinese admonitions against its "all-weather friend" Pakistan for the latter's support of terrorists who have contributed to the incitement inside Xinjiang. If this problem grows, will the strong Sino-Pakistani relationship continue unaltered? Will Russia continue to accept a secondary role in

intercontinental trade if China is somehow unable to follow through on its programs? Or will it attempt to step into the vacuum, especially as it clearly has second thoughts about China's connections in Korea, the terminus of its own iron Silk Road dream, and the Arctic even as it benefits from Chinese investment there?

All these questions highlight China's increasing importance in Central Asia and its corresponding vulnerabilities there, exposed by the recent unrest. But they also underscore the fact that Central Asian governments cannot do much about any of this. They remain quite unable to contribute to the resolution of China's problems, which could even spill over into their states if China becomes convinced that they are supporting this unrest despite Beijing's strong and previously generally successful efforts to break links between Central Asia and the Chinese Uighurs.

There can be no doubt regarding the critical importance of the Chinese Silk Road plans for Central Asia. Nobody else, including Russia and the U.S., is putting that kind of money to work in Central Asia and nobody besides the great powers has the capacity to do so. But the negative aspects of China's vibrant policy underlines the consequences of the absence of a U.S. Silk Road project and of any integrated economic-political program emanating from Washington for Central Asia. Central Asians must increasingly navigate between an ever-more powerful China and ever-more revanchist Russia who is not afraid to

use or threaten violence to get its way. If the Uyghur problem inside China is solved, that will expose Central Asians to the full force of China's growing power as expressed in Beijing's Silk Road project. On the other hand, if China cannot resolve its problem and more violence pervades Xinjiang at a time when few believe that Afghanistan or Pakistan are becoming more pacified, then Central Asian states are exposed to a whole series of other problems that will probably not go away and ensure that their neighborhood will display long-running violence at levels that cannot be accurately predicted.

CONCLUSIONS: These are daunting alternatives for any Central Asian statesman or government even if all of Central Asia's domestic and internal security challenges were to be met, which is obviously far from the case. These observations oblige us to take a much more searching examination of the strengths and weaknesses that China brings to the table in Central Asia and what their consequences might be for Central Asians and their governments, including China's own Muslims in Xinjiang. China may be the strongest commercial player in the region and in ascendance as its power and wealth grow but it is by no means assured of an untroubled future at home, particularly in Xinjiang. And since Xinjiang historically has had immense bearing on China's overall security, and is the basis from which major foreign policy initiatives flow, what happens in Xinjiang will unlikely stay in Xinjiang. Finally these issues force us to

reconsider the linkages between domestic stability in all of the major players currently engaged in Central Asia and their ability to project a meaningful foreign policy and power into the area. We can readily see that bad governance at home is no longer, if it ever was, merely a domestic issue. In this respect China's potential travails highlight just how globalized politics in and around Central Asia have become and that they are ultimately about more than just China.

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NO LIGHT AT THE END OF THE TUNNEL: OBSTACLES TO REVIVAL IN THE GEORGIAN- OSSETIAN CONFLICT ZONE

Tomáš Baranec

In the course of 2014, developments in the Georgian-Ossetian Administrative Border Line (ABL) attained some attention in both Georgian and international media. This was due to renewed fencing activities by the Russian army and the de facto South Ossetian authorities in September 2013. However the roots of the problems, which local dwellers have to face in their daily life, are more acutely linked to the “water embargo” imposed on the region by the South Ossetian de facto authorities and the Russian trade embargo on their agricultural products.

BACKGROUND: While the devastating impact of fencing on affected families should not be underestimated, this is not the issue considered most problematic by local dwellers, compared to other challenges such as the limited access to water and markets for their agricultural products. Also despite the prevailing narrative provided by the media, fencing itself is not always viewed negatively. A negative perception of these activities predominates in the agricultural Gori region, where many orchards have been made inaccessible by fences and many more (especially in Ditsi) are endangered. Conversely, in communities of the mountainous Kareli region, whose economy is based on herding rather than agriculture, fencing is sometimes viewed rather positively since it has improved the security of cattle, which previously often strayed across the ABL rarely to be seen again.

The most striking and immediate problem hitting the region following the 2008 war was the “water embargo” imposed by Tskhinvali. A highly sophisticated and integrated irrigation system was constructed in the Gori region during the Communist era, which allowed cultivation of new lands in the area and thus a significant increase of both production and population. These improvements have been crippled since August 2008, when the de facto South Ossetian authorities closed the flow of water from the Zoncar reservoir to the Terepun channel, which had provided irrigation for most settlements in the area, as well as other smaller channels.

The swift creation of an alternative system (which is expensive and may not work during especially hot summers) spared most of the villages on the Terepun channel from the most drastic consequences of drought. Many

others (such as Ditsi and Zaardiantkari) had already been subjected to five years without irrigation in places that for generations before the construction of the system had the character of plains whipped by the dry winds of eastern Georgia. Two years after the war, the harvest diminished drastically in affected villages and people who had previously been able to live a decent life and constructed new houses just a few years ago, found themselves in a spiral of poverty unable to purchase even the most basic drugs or enough firewood. Nowadays, one can see impoverished dwellers cutting their own dry fruit trees in order to obtain additional firewood for harsh winters.



(Source: [Wikimapia](#))

Yet, while the water issue is becoming resolved in most affected villages, communities that were reconnected to irrigation are facing a new harsh reality in which tons of apples end up in rivers. After managing the obstacle of drought, locals now face the consequences of the Russian trade embargo, whereas no alternative market exists with sufficient demand for agricultural products from the area.

IMPLICATIONS: Trade routes from the region traditionally used to lead northwards; short distance roads headed to South Ossetia, while long distance trade roads reached deep into the Russian mainland. On both levels, the direction of trade routes was driven by the different types of natural environment and resources. On a local level, the ABL does not simply mirror the dividing line between two ethnicities; it also marks the difference between two types of agriculture and the products they can offer. Ossetians from the foothills of the Greater Caucasus have found the main market for their products; flour, milk, butter and cattle, not among their kin in North Ossetia who settle in a similar type of environment, but in neighboring Georgian dwellings in the agricultural lowlands. Georgians, on the other hand, have found demand for their products among Ossetians rather than in the Georgian market, which is well supplied by other agricultural regions such as Kakheti or Samegrelo.

The same pattern explains the dependency of local producers on the Russian market in terms of long distance trade. Of all Georgia's neighbors, only Russia features a predominantly different type of agricultural production than Georgia and thus is the only market able to consume all the local production (in addition to the significant historical Russian appetite for Georgian products). Other neighbors, like Turkey, Azerbaijan and Iran, have a similar agricultural production and thus a very limited interest in Georgia's agricultural goods. On the contrary,

they often dominate local markets and push local producers out thanks to their lower prices.

It was the Russian market's demand for Georgian agricultural products that helped communities in the region overcome the most drastic consequences of Georgia's socio-economic collapse after the dissolution of the USSR. Moreover, this long distance trade route allowed many families to maintain some of the living standards that they were used to before 1991. Locals claim that during this period, a family with an average orchard, which used to trade in Russian cities, could afford a car, medicine, and all the necessary basic household goods, while families with bigger orchards managed to build new houses or renovate older ones. Generally many of them refer to this period, which featured significant economic decline on a national level, as an era of relative prosperity.

Nowadays the price of apples in Georgia is said to be several times lower than it was in Russia before 2008, and the market has been overwhelmed by cheaper Turkish agricultural products. In more than 100 interviews conducted in the area, the absence of demand for agricultural products was the most frequently mentioned obstacle to the local economy's recovery from the conflict. Even communities with proper irrigation and good harvests are stuck in deep poverty and debts as they are unable to sell their produce. It is important to realize that growing apples is often the only means for locals in this area with nearly absolute

unemployment to live in a country lacking a proper social system and to earn the much-needed money for firewood, electricity and medicines. The levels of desperation are well illustrated by the fact that Georgians were recently offered 1 GEL (around 40 Euro-cents) for 25 kilograms of apples. Most of the locals agree that any kind of recovery in the region is barely possible without the reopening of the Russian market.

CONCLUSIONS: The existing situation has one significant implication. Under conditions of desperation most of the interviewed locals claimed to be indifferent toward any kind of integration with the West or Russia based on ideology or values, and would prefer whichever that could ease their hardship. Therefore once the Russian market is re-opened for local agricultural production and money again starts to flow in, the Kremlin could obtain an increased leverage on the Georgian government. Under such circumstances, any Russian threats regarding the reintroduction of the trade embargo on such products, in connection with Georgia's pro-western orientation, could spark waves of anger in this region in particular, anger which could under some circumstances be aimed towards Tbilisi rather than the Kremlin.

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RUSSIA'S PAKISTAN VOLTE-FACE

Naveed Ahmad

Pakistan has signed a military cooperation pact with Russia, "aimed at bringing peace and stability in the region." Leading a 41-member high level delegation on November 20, 2014, Russia's Defense Minister General Sergei Shoigu flew to Islamabad to sign the milestone pact, whose details were not made public. On the invitation of Russian President Vladimir Putin, Prime Minister Nawaz Sharif will soon visit Russia. The move follows Russia's decision to lift its self-imposed arms embargo on Pakistan in June despite opposition from its longtime ally India.

BACKGROUND: Russia and Pakistan share a history of interchanging friendship and animosity. Their relationship began in New York on the sidelines of the UN General Assembly meeting on May 1, 1948, when Sir Zafarullah Khan, foreign minister of the newly created Islamic republic, met his counterpart from the Communist USSR. The real impetus to reinforced ties is attributed to Zulfiqar Ali Bhutto who first visited Russia in 1960 as Minister of Fuel Power and Natural Resources. Both nations signed agreements on oil exploration and many of today's oil fields in Pakistan resulted from the efforts of Soviet geologists.



(Source: [PID Pakistan](#))

The USSR managed to bring the archrivals India and Pakistan to the negotiating table after the 1965 war. The mediator role resulted in agreement on the Tashkent Declaration in January 1966. The USSR openly backed India in assisting the Bengalis' bloody insurgency to separate from Pakistan. The conflict eventually resulted in the creation of Bangladesh on December 16, 1971, dividing Pakistan into half. Nonetheless, Bhutto again visited Moscow in 1972 as president and in 1974 as Prime Minister of Pakistan.

The Pakistan-Russia relations started nose-diving with the launch of General Zia-ul-Haq's military coup on July 5, 1977, eventually leading to the hanging of Bhutto in 1979. The same year in December, the USSR invaded Afghanistan, triggering a massive influx of refugees in Pakistan. Already skeptical since Bangladesh's war of independence, the Pakistani military leadership suspected Soviet intentions towards the country. As Islamabad became a frontline country against the Red Curtain, Moscow sponsored

terrorist activities in Pakistan, mainly through its spies and rogue Afghan groups. Though no confirmed figures are available, the death count soars above 10,000.

With the collapse of the USSR, Pakistan hoped to harness better ties with the Russian Federation, becoming the very first state to recognize it. Plagued with severe economic and political crises in its early years as the USSR's successor, the Kremlin gave no priority to improving relations with South Asian countries. Months before he was dethroned in a bloodless military coup, Nawaz Sharif visited Russia in 1999.

After 9/11, the Kremlin shared Delhi's perspective on Pakistan as a safe haven for terrorists. Thus, the gulf enlarged until General Pervez Musharraf visited Moscow and called for "a new era of friendship." Russia and Pakistan formed two joint working groups on counterterrorism and strategic stability, while the trade volume rose from US\$ 92 million in 2003 to US\$ 500 million a decade later.

IMPLICATIONS: Despite its investment in a couple of mega projects, the Kremlin has failed to obtain the popular appeal that is commonplace for the U.S. The Pakistanis have a unique love-hate relationship with America, thus its policies and lifestyle do not go unnoticed amongst the public. A friendlier Russia may take a couple of decades to win the same mass appeal. However, Moscow has taken a route that can grant it influence and revenue in Islamabad. The belated cooperation

boost is taking place primarily in the military realm.

Russia's and Pakistan's navies recently conducted a joint exercise in the Northern Arabian Sea. Though focused on dealing with challenges of piracy and drug trafficking, the first ever Pakistan-Russia military drill opens avenues for more in the future. Russia gave Ukraine a green light in late 2008 to sell Pakistan four Il-78 refueling aircraft [NATO reporting name Midas]. The deliveries, which began in 2009 and were completed in 2012, signaled increasing comfort levels on both sides in treading previously uncharted waters. Though Moscow had turned down the then Pakistani army chief General Ashfaq Kiani's shopping list for gunships and electronic warfare equipment in 2009, the need for long-term cooperation with Pakistan on Afghanistan and diplomatic support on Syria in 2012 changed the Russian approach to the country.

Shunning the widespread skepticism about the sale of gunships to Pakistan under India's pressure, Russia's ambassador in Islamabad recently told the media that the deal to sell Mil Mi-35 "Hind E" had been "politically approved," implying that modalities are being worked out. Islamabad is eyeing the purchase of 20 Mi-35 attack helicopters for now.

The Pakistani military has found its fleet of U.S.-made AH-1 Cobra Gunships too costly and difficult to maintain in the wake of ongoing anti-Taliban operations. The Russian gunships are not only superior to the

Cobra gunships but also far less expensive. The development builds on the mutual trust developing after Russia proved ready to re-export 150 Klimov RD-93 turbofan engines from China for Pakistan Air force's future mainstay, the JF-17. Now the Block-II of the Pakistani challenger to Mig-29 will have seamless supply for its engines. The fighter jet, jointly developed with China, is set to become Pakistan Air Force's future mainstay platform.

After India's newly elected Prime Minister Narendra Modi's clear orders to reduce the country's reliance on foreign defense hardware, Delhi will increasingly seek military cooperation from its longtime ally Russia and other suppliers such as France, Britain and the U.S. Moreover, India has exhaustively shopped from the Russian weapons market besides signing vigorous technology transfer regimes. Thus, the potential threat posed to India by Russia's provision of MI-35 gunships to Pakistan is not intense.

Undoubtedly, today's Russia is no Soviet Union. Its lifting of the longtime arms embargo on Pakistan represents a break with the past and signals a search for new friends and markets. Pakistan, on the other hand, has been searching for a politically manageable partner and affordable supplier besides China. Russia clearly comes with no strings attached.

As part of Putin's Asia policy, Moscow has lured Pakistan in through a military cooperation pact but it is too early to predict realignment in the wake of NATO's pullout from Afghanistan.

The other prime Russian interest in Pakistan has been investment in the energy sector. Islamabad is wooing Moscow for investment in its Thar coalfield besides attempting to secure its investment in the Iran-Pakistan gas pipeline, a project that may otherwise remain unrealized.

CONCLUSIONS: The lifting of the arms embargo and strengthening of military ties set the tone for future Pakistan-Russia relations. Islamabad has chosen the current path after finding its partnership with Washington politically costly and unreliable. During the July 2015 summit in Ufa, Russia, Pakistan hopes to receive full-member status of the SCO, mainly focused on security issues and projected as a counter-weight to NATO. Moscow is returning Islamabad's favor in granting Russia observer status in the Organization of Islamic Cooperation. While India is becoming closer to the U.S. and the western bloc, Pakistan is gradually shifting towards Russia. Eyeing a likely power vacuum in Afghanistan after NATO's exit, Pakistan is becoming more relevant and significant for Russia. The Islamic republic may, however, not support Russia's policies on Syria or Ukraine. Russia's readiness to supply vital military systems to the Pakistani military aims to achieve leverage in the country on issues important for Russian geo-strategic ambitions as well as internal security. However, Islamabad may not see Russia's sale of military hardware from the prism of strategic cooperation. Learning from its experience of NATO-alignment, Pakistan will likely

seek to confine ties to defense cooperation rather than long-term strategic partnerships.

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CENTRAL ASIAN UNION AND THE OBSTACLES TO INTEGRATION IN CENTRAL ASIA

Nurzhan Zhambekov

After the fall of the Soviet Union, the two largest Central Asian states of Kazakhstan and Uzbekistan took the initiative for Central Asian integration. In January 1994 an agreement was signed in Tashkent for the creation of a Central Asian Union, with Kyrgyzstan joining shortly thereafter. This marked the start of Central Asia's integration process, aiming to develop and implement projects to deepen economic integration. Today, the idea of Central Asian integration is considered dead, despite numerous attempts primarily by Kazakhstan to revive it. The internal differences between Central Asian states, and their subjection to the influence of external powers, has made the prospect of regional integration increasingly remote.

BACKGROUND: The Central Asian Union established working entities of the integration body and set up an Intergovernmental council. The Central Asian Bank of Cooperation and Development was established in Bishkek with the initial capital of US\$ 9 million. In 1998, three ministers, one from each country, met and addressed the major issues of water sharing, environment, migration policy, and economic development. Tajikistan joined the grouping in 1998, thereby increasing the number of Central Asian Union states to four. That grouping became officially known as the Central Asian Economic Community (CAEC). Turkmenistan maintained its neutrality and remains outside any integration initiatives in Central Asia.

The most substantive result of the CAEC was agreement on the joint fight

against terrorism, political and religious extremism, transnational organized crime, and security issues. Participating countries signed a document on the strategy of integration by 2005. At the initial stage, countries planned to create a common free market and then subsequently a customs and currency union. This move was triggered by the events of 9/11, after which the military and political situation in the region changed dramatically. Participating parties agreed on a common statement regarding joint responses against terrorism and political extremism.

Although all Central Asian states with the exception of Turkmenistan participated in these initiatives, the declarations were never properly implemented. Major obstacles included rivalry between Kazakhstan and Uzbekistan for the regional leadership,

as well as Uzbekistan's lack of interest in intraregional cooperation and integration, since its major trading partners are outside of Central Asia. In addition, Kyrgyzstan and Tajikistan felt that their interests were not being taken into account because of their relatively small size compared to their larger neighbors.



(Source: Kremlin.ru)

The common economic space in the region was forming slowly and with difficulty, and it has proven impossible to achieve common customs, anti-dumping, tax policy, and currency convertibility. There was no concept or program of collective promotion of interests in energy exports and other natural resources. The water issue has always been a major stumbling block for regional cooperation. Kyrgyzstan and Tajikistan have a surplus, whereas the other three do not get their share from the region's great rivers Amu Darya and Syr Darya. The Central Asian countries could not maintain the resource-sharing mechanism that was in place before 1991 whereby Kyrgyzstan and Tajikistan provided water to Kazakhstan, Turkmenistan and Uzbekistan in summer and received Kazakh, Turkmen and Uzbek gas, coal and electricity in winter.

IMPLICATIONS: Central Asia's integration project has undergone three major phases. From 1990 to 1993, following independence from the Soviet Union, there was a common awareness of the need for a process of integration – to form a union to survive as independent states. There was a mutual understanding that it was not possible to develop successfully as individual countries and that there was safety in numbers. The Union existed primarily as a somewhat hazy idea during this time.

1994 to 2005 can be characterized as the period of ineffective implementation. Numerous declarations resulted only in slow integration with no tangible results. The organization's name changed from the Central Asian Union to Central Asian Economic Community, and later to Organization Central Asian Union. Throughout the Union's existence, its major issues remained sharing water resources effectively and equitably and removing trade and custom barriers.

2005-present instead represents a period of disintegration. The Central Asian Economic Community ceased to exist when it became part of the Russia-dominated Eurasian Economic Union. However, despite the failure of the Central Asian Economic Union, attempts to create new forms of cooperation have emerged. In particular, Kazakhstan has continued negotiations with Kyrgyzstan, Uzbekistan, and Tajikistan on a bilateral basis, which facilitated the subsequent process of economic and political cooperation. In 2007,

Kazakhstan's President Nazarbayev attempted to again renew the idea of a Central Asian Union, including all five countries of Central Asia during his annual national speech. In his vision, the union would involve free movement of goods, services, capital and people. The union's mission would be to increase regional security, economic growth, political stability, and prosperity in the region.

However, despite Nazarbayev's attempts to push for economic cooperation with his Central Asian counterparts, there was no interest from other leaders except Kyrgyzstan's then-president Kurmanbek Bakiev. Uzbekistan's President Islam Karimov stated bluntly that the creation of a Central Asian Union is premature, given the differences in economic and social development among the countries, and that the past attempts to create the union were not productive and did not bear results. Central Asian leaders were not willing to cooperate on any of their major issues. There is growing suspicion among the leaders of Kyrgyzstan, Tajikistan and Uzbekistan. In particular, relations between Tajikistan's President Emomali Rakhmon and Karimov have been frosty for years.

The Central Asian Union did not work for two main reasons. First is the infighting between states, in particular the rivalry between the most populous, Uzbekistan, and the wealthiest, Kazakhstan, for regional dominance. Elites in Uzbekistan were uninterested in the idea from the beginning. Kazakhstan's leadership was interested,

but other countries did not want to be dominated by Kazakhstan economically. Second, smaller states wanted to retain their independence from larger neighbors, whose interests they did not share.

Despite attempts by regional leaders to create a union in practice, most of the initiatives and declarations were not translated into real action. Water and border issues have been major stumbling blocks among and between countries, and remain potential sources of conflict in Central Asia. In the last two decades, no mechanism between these countries has been established to resolve the water issue. In this perspective, the Central Asian Union could have presented an effective platform for preventing potential conflict and increase cooperation among countries particularly in water sharing and border issues. The only exception to the failure of cooperation and integration without the direct participation of external actors in the region was the establishment of a nuclear-free zone in Central Asia set up in September 2006 at the Semipalatinsk (Semey) test site in Kazakhstan, known as the Treaty of Semey. The treaty was ratified by all countries of Central Asia, and entered into force on March 21, 2009.

Rivalry between external players, particularly between China and Russia, for influence and dominance in the region will increase, as it is far easier for Russia to dominate one country at a time than the Central Asian states together. One primary example is Russia's success in compelling

Kazakhstan to join the Eurasian Economic Union (EEU), with Kyrgyzstan about to join later this year. China's ascent as an economic superpower has increased its ability to draw Central Asia into its orbit through regional integration.

While Russia wants to keep Central Asia as a satellite by pushing the regional countries to join the Russia-led EEU, China wants to transform the region into a natural resource provider. One example is China's president Xi Jinping's initiative "The Silk Road Economic Belt," implying the creation of a US\$ 40 billion fund to develop infrastructure in neighboring countries, including Central Asian states. The infrastructure will help move energy to China from Central Asia. Moscow is steadfastly opposed to the idea. Previously, China was primarily concerned about security in the region, and was instrumental in the creation of the Shanghai Cooperation Organization, a Central Asia-focused security organization, of which China and Russia are both members. The region now has two competing projects: the EEU led by Russia; and the Silk Road Economic Belt led by China.

CONCLUSIONS: The Central Asian Union failed for several reasons. Infighting, distrust, and diverging interests between the prospective members precluded strong relations among the Central Asian countries, while external actors, namely Russia and China, desired to bring Central Asia into their respective orbits. The Central Asian Union is dead despite attempts by Kazakhstan and other

countries in the region to revive it. It primarily consisted of declarations, initiatives, and intentions but no real traction. Unresolved issues persist between the countries, including like border disputes, water sharing, and trade barriers.

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BISHKEK SIGNS EEU DEAL AMID RISING TENSIONS IN THE UNION

Arslan Sabyrbekov

On December 23, Kyrgyzstan signed an accession agreement to become a member of the Russia-led Eurasian Economic Union (EEU). The new union is an expansion of the Customs Union grouping together Russia, Kazakhstan, Belarus and now also Armenia and Kyrgyzstan.

Upon signing the new accord, Kyrgyzstan's President Almazbek Atambayev expressed his hope that Bishkek will become a full-fledged member of the EEU by May 2015 and thanked his colleagues for fairly determining accession conditions. The treaty will now fully enter into force after its ratification by the member countries' parliaments. Russia's President Vladimir Putin welcomed Bishkek's decision and noted that the new union will now have a combined economic output of US\$ 4.5 trillion, bringing together more than 170 million people.

In the meantime, Bishkek-based civil society activists have issued a statement criticizing the political leadership's quick decision to enter the EEU. According to them, the government has failed to engage in comprehensive public debate on the subject matter and made the decision behind closed doors. According to MP Omurbek Abdrakhmanov, an outspoken critic of Bishkek's integration with Moscow, "no one has probably seen the text of the treaty

except the country's key political leadership. The Parliament was supposed to take a decision approving the initiative of the president to enter the Union, but the procedure was not observed. The text of an agreement consequential to the nation's sovereignty was approved in half an hour."

Bishkek's EEU deal comes in the midst of the financial crisis in Russia. Over the last couple of months, the Russian currency has lost between 40 and 55 percent of its value against the Dollar and for the first time in history has even lost ground against the Kyrgyz Som. The ongoing depreciation of the Ruble means that millions of Central Asian migrant workers in Russia can send home less money. The Kyrgyz government is preparing for windfalls from abroad to fall by approximately US\$ 1 billion. The decline in remittances, accompanied by massive government spending to keep the currency closer to the dollar, clearly poses a problem to the country's already troubled budget. In addition, the ongoing financial crisis in Russia along with tougher regulations is already forcing a number of labor migrants to return home and join the pool of unemployed. According to Bishkek based economist Azamat Akeleev, "Kyrgyzstan lacks capacity to accommodate its returning work force

and this will definitely lead to various social tensions in the future.”

The decline of the Russian currency is not only a concern for the dependent economies of the Central Asian states but risks undermining the overall stability of the EEU. In light of the ongoing crisis, the President of Belarus Alexander Lukashenko has demanded trade in the Union to be denominated in Dollars or Euros and not in Rubles. He has also sharply criticized Moscow over its trade dispute with Minsk. In response to Western sanctions, Moscow has recently banned imports of foodstuffs from the European Union and in order to prevent Minsk from reselling EU products to Russia, has halted imports of Belarusian milk and meat products through its territory, referring to alleged sanitary reasons. “Contrary to all international norms, we are being denied the right to transit goods from the territory of Belarus and all of this has been imposed unilaterally, without any consultations,” Lukashenko said.

Meanwhile, Kazakhstan’s President Nursultan Nazarbayev has also suggested that Russia’s isolation from the West over the crisis in Ukraine is creating tensions between Moscow and its closest partners. “The instability of world markets and the policy of sanctions will impact the process of building the Eurasian Economic Union,” said the Kazakh leader during his state visit to Ukraine. Contrary to the Kremlin’s position, the Kazakh President also spoke in support of the country’s territorial integrity and

offered financial and energy based aid to the struggling government in Kiev.

These stark differences in positions is proof that Moscow’s capacity for influence might be shrinking. The Kremlin was able to draw two small states into the Union, Armenia and Kyrgyzstan, but its ability to transform the union into a broader alliance extending to the political and diplomatic arenas is unlikely to be realized, at least for the time being.

The author writes in his personal capacity. The views expressed are his own and do not represent the views of the organization for which he works.

GEORGIA'S RULING COALITION FACES ACUTE POLITICAL AND ECONOMIC TROUBLES IN 2015

Eka Janashia

The changes taking place in Georgia at the end of 2014 will have crucial implications for next year's political and economic agenda. In the beginning of December, a bout of reshuffles started both in government and inside the ruling Georgian Dream coalition (GD). It was the second wave of shifts since November, when the Free Democrats, led by the former Defense Minister Irakli Alasania left the GD coalition. This time, the alterations occurred within the GD party itself and affected the senior and mid-level government officials as well as party's political council.

The party's executive secretary, and PM Irakli Garibashvili's relative, Zviad Jankarashvili resigned. Until April, 2014 he was head of the General Inspection of the Ministry of Internal Affairs (MIA). Meanwhile, first Deputy Interior Minister Giorgi Zedelashvili, a distant relative of Jankarashvili and one of the most influential figures in the MIA, was detached from the ministry and moved to the post of Deputy Secretary of the State Security and Crisis Management Council.

The head of the Special State Protection Service (SSPS) – an agency responsible for the security of high-ranking officials, state facilities and buildings – Teimuraz Mgebrishvili, was replaced by Ivanishvili's former chief bodyguard Anzor Chubinidze.

Another close associate of Ivanishvili, Nodar Javakhishvili, replaced Zurab Kopadze on the post of Deputy Minister of Regional Development and Infrastructure.

The heads of the State Security Service (SSS) and the General Inspection of the MIA, Malkhaz Chikviladze and Irakli Samkurashvili, also resigned. Ivanishvili's crony, Mirian Mchedlishvili became head of the SSS.

Nearly all opposition parties detect Ivanishvili's hand behind the recent relocations. Rumors swirled about Ivanishvili's growing mistrust toward Garibashvili. Allegedly, Ivanishvili appointed his trusted associates to tactically important posts in order to control the PM.

The United National Movement (UNM) accused Garibashvili's family of bribery long before the reshuffles. At the beginning of this year, the party disclosed an apparent corruption scheme run by Garibashvili and his father-in-law, Tamaz Tamazashvili. The scheme allegedly envisaged the establishment of fake firms and companies to participate in state tenders and accumulate large amounts of money. UNM asserts that the total volume of corrupt deals amounts to US\$ 8 million.

The changes in government and GD were accompanied by a drastic

depreciation of the Georgian Lari (GEL) which lost around 12 percent of its value against the U.S. Dollar in mid-December. Although Garibashvili's government insisted that the drop was mainly caused by external factors, economic analysts argue that the government's inefficient economic policy disrupted the balance between the US\$ and GEL.

According to some economic analysts, the toughened visa regulations for foreigners imposed by the government last year have damaged the overall investment climate. The volume of investments has dropped by 10 percent for two quarters in 2014 compared to the same period of 2013. Although another source of external financing – export – has recently increased, the growth rate of imports is still much higher than that of export. Meanwhile, the ongoing economic recession in Russia contributed to a drop in the volume of remittances to Georgia.

As a result, abridged US\$ inflows instigated a depreciation of the GEL, especially harmful for those who get their incomes in the national currency but have taken loans in Dollars. Data from Georgia's National Bank disclose that 60 percent of all loans and 77 percent of mortgages are dollarized, implying that a significant share of the population is affected by the Lari depreciation.

Moreover, the appreciation of USD against GEL connotes that imported goods will become more expensive for Georgians. Taking into account that import comprises 49 percent of Georgia's GDP while imported

products constitute 70 percent of Georgia's consumer basket, the ongoing depreciation of the GEL appears to be especially troubling.

Economic concerns amplified the uncertainty triggered by the shifts taken place inside the GD party. Several analysts and politicians have discussed Ivanishvili's changing confidence in Garibashvili, which could end with the PM's reassignment. Many speculations have also been devoted to the question who might be the next PM and whether Ivanishvili himself may officially return to politics.

Although the expected changes will heighten the political turbulence and economic fluctuations in the country, instability seems to be growing even without further shifts in the government. GD's pattern of ruling deprives Georgia of institutional development and instead benefits crony networks, clan clashes and personality politics.

Meanwhile, if economic predicaments are not dealt with timely and efficiently by pursuing a more liberal economic policy, the country may face both political and economic crises. Alarmingly, these problems could derail Georgia's Euro-Atlantic course and seriously slow the country's democratic development.

In 2015, the Georgian government will have to address the most critical issues to maintain social stability. Thus, this year may present the true litmus test for GD and its ability to preserve its status as Georgia's dominant political force.

TAJIKISTAN PAVES THE WAY TO EURASIAN UNION

Oleg Salimov

Tajikistan assesses its potential for joining the Eurasian Economic Union (EEU), which came into effect on January 1, 2015. Pressure on Tajikistan to reach a decision on membership increased with the inclusion of Kyrgyzstan as one of the EEU's forthcoming members. Tajik president Emomali Rakhmon proposed an in-depth study of the benefits of EEU membership for Tajikistan during the Eurasian Economic Community meeting in Minsk on October 10, 2014. As a result, the Central Asian expert club *Eurasian Development* in Dushanbe prepared an analysis of priorities which would stipulate Tajikistan's successful integration into the EEU.

The experts' list of issues which Tajikistan must address in its consideration of EEU membership includes Tajikistan's low production output; its lack of infrastructure and unreliable railroad communication with other EEU members; energy security and continuing disagreement with Uzbekistan; the security and interests of Tajik labor migrants; compensation for short-term losses in Tajikistan's custom duties; the border dispute with Kyrgyzstan; the preservation of transit cooperation with China; and taking stock of Tajikistan's tourism industry potential. The report overall emphasizes Tajikistan's immediate economic concerns.

Eurasian Development executive director Guzel Maitdinova in her expanded commentary on the report and Tajikistan's potential membership pointed out the EEU's fundamentally economic basis. Maitdinova confronted the critics of Tajikistan's EEU membership who suggest it will inevitably imply a loss of sovereignty for the republic. Maitdinova insisted that the EEU should not be compared with the European Union which, unlike the EEU, functions through a common parliament and pursues a single model of political development for all members. Another point is the equal ability of all members to block any decision or resolution of the EEU. Also, the EEU foresees equal representation for all members regardless of the country size or membership dues which are in turn divided proportionately. Currently, Russia pays 88 percent of the total membership dues, Kazakhstan 7.3 percent, and Belarus 4.7 percent. Favoring the EEU, Maitdinova stressed the importance of Tajik labor migrants for the country's economy, which would lose the extensive EEU labor market to Kyrgyz migrants if Tajikistan refuses to join. Maitdinova believes that EEU membership will enhance Tajikistan's transit cooperation with China as it opens unlimited opportunities of the Eurasian market for China.

The newly founded EEU is a successor to the Eurasian Economic Community (EEC) established in October 2000 by Belarus, Kazakhstan, Kyrgyzstan, Russia, and Tajikistan. The main task of the EEC was the formation of a Customs Union and creating conditions for a common free market zone among its members. October 10, 2014 marked the last day of the EEC. The agreement between Belarus, Kazakhstan, and Russia on the EEC was signed on May 29, 2014. The primary objective of the EEU, alongside free trade, includes a common labor and service market and unrestricted capital movement. Also, in addition to the existing common customs regulations, the EEU will develop a common monetary, taxation, and trade policy.

Armenia, which possessed observer status at EEC, and Kyrgyzstan rapidly decided to join the EEU (Armenia became a member on October 10 and Kyrgyzstan signed its association agreement on December 23, 2014). Tajikistan has reviewed and analyzed Armenia's and Kyrgyzstan's integration process. Armenia had to formally waive its territorial claims on the Nagorno-Karabakh region but received sizable custom duties privileges and Kyrgyzstan was able to secure US\$ 1 billion assistance from Russia through the creation of a Russian-Kyrgyz Development Fund. The *Eurasian Development* report discusses the possibility of similar financial incentives for Tajikistan and expects increased engagement from other members in the resolution of its territorial disputes with Kyrgyzstan.

Also, experts anticipate an EEU interest in developing Tajikistan's hydroelectric power resources.

While other members of the EEU, Russia in particular, are supportive of Tajikistan's admission, there is a lack of commitment to financial assistance. Russia's ambassador to Tajikistan, Igor Lyakin-Frolov, only expressed hopes for Tajikistan benefiting from special custom duties status in a manner similar to Belarus and Kazakhstan or a development fund similar to that of Kyrgyzstan, otherwise remaining highly reserved on the outlook of financial assistance to Tajikistan. Olga Gavruk, Belarus' ambassador to Tajikistan, primarily sees Tajiks as a labor force for other EEU members. Such a vision implies a further dependency of the Tajik economy on migrants' remittances and the continuing stagnation of Tajikistan's industrial complex.

Tajikistan has made the first steps towards integration with the EEU. However, the consequences of EEU membership for the republic are far from clear. Tajik experts have outlined major areas for comprehensive economic research, which must involve various governmental agencies, think tanks, and the business community. The process of EEU integration will include adjustment of specific domestic and foreign policies, legislative changes, considerable investments, and short-term losses. Eventually, Tajikistan's dependency on Russia and Kazakhstan not only through labor migrants, but also through a significant amount of trade (according to the Tajik Statistics

Agency, Russia and Kazakhstan respectively were first and second among Tajikistan's trade partners in 2013) might persuade the country to opt for membership.

THE MYTHOLOGY OF CHINESE MIGRATION IN KAZAKHSTAN

Yelena Sadovskaya

Despite a short history of current migration from the PRC to Kazakhstan – 25 years only – it is accompanied by growing tension in the receiving society. Deeply ingrained phobias and prejudices in relation to Chinese migrants, as well as “mythologization” of Chinese migration are specific phenomena rooted in the dramatic history of Kazakh tribes’ struggle against Dzungarian tribes and the Qing government. One can trace the phobias regarding Chinese migration to history (collective memory of the Kazakh people) and contemporary issues such as lack of knowledge.

Political scientists in Kazakhstan have conducted studies of myths about China and the Chinese presence in Kazakhstan. A typology of myths and phobias was offered by Konstantin Syroezhkin and includes a threat of “Chinese expansion” and control over Kazakhstan’s mineral resources; a threat of economic dominance and of Kazakhstan turning into a raw-materials supplier for China; a fear of Kazakhstan being divided and its parts annexed by China; migration of the Han Chinese to Xinjiang and further west, settling in Kazakhstan and occupying agricultural lands; and a threat of environmental disaster due to irrigation activities on the Chinese part of the Irtysh river. Each of these myths has been reproduced for years in mass

media, internet and virtual commentaries.

A lack of knowledge about China was identified as one of the causes for fear in representative monitoring sociological studies conducted under the author’s supervision in 2007 and 2012, covering the urban population. The respondents demonstrated weak knowledge of Chinese culture (literature, art, traditions), as well as insufficient knowledge of its current affairs. Though the knowledge of China’s current economic, social, and political life increased from 39 percent to 49 percent between 2007 and 2012, their familiarity with Chinese culture and history remained at the same low level: 9 percent in 2012 and 10.2 percent in 2007.

It is then no wonder that this vacuum is being filled with subjective images, not based on fact and often brought in from outside. Of particular concern are the lack of reliable information and difficult access to migration statistics on China and analytical data on its economic presence in Kazakhstan, as well as the social practice of Chinese migrants’ “parallel existence” in receiving communities accompanied by an absence of communication with local people.

The fears regarding “Chinese expansion” are not new: in the 1990s, arguments against the migration of

workers from China were based on concerns that it would contribute to Chinese colonization of Kazakhstan and the formation of “Chinatowns.” According to the 2007 sociological survey, 24 percent of the respondents believed that Chinese migration would negatively impact Kazakhstan’s labor market because it would raise competition. In 2012, this share increased to 31 percent.

It is in fact a myth because the number of Chinese workers amounts to a tenth, or even a hundredth of a percent of the workforce throughout the country. It does not have any serious impact on the labor market either by sectors or by regions. Moreover, Chinese workers are employed only in a few limited sectors of the labor market, or recruited to joint Chinese-Kazakhstani projects.

According to the 2012 survey, 11 percent of the respondents believed that Chinese migrants arrived to obtain Kazakhstani citizenship and 11 percent that they intended to marry Kazakh women. Contrary to popular fears, Chinese migrants do not naturalize in Kazakhstan en masse – only 80 Han Chinese have obtained Kazakh citizenship and 393 have stayed on as permanent residents in Kazakhstan in the period between 1995 and 2014, according to the Kazakh Ministry of Interior Affairs, data as of November 5, 2014.

Indeed, citizenship and permanent residence immigration to Kazakhstan is represented mostly by ethnic Kazakhs repatriates. The majority of Han Chinese arrive for temporary work or trade and do not stay for permanent

residence. Kazakhstan in fact is not the most attractive country for Chinese citizens, the majority of whom prefer to move to the economically better developed eastern regions of China, South-East Asia or developed Western countries.

The 2012 survey revealed a “crystallization” of attitudes towards Chinese migrants among Kazakhstan’s urban population: “positive” and “very positive” attitudes to Chinese migrants decreased to 23 percent (from 26 percent in 2007) while the share of “negative” and “very negative” attitudes increased to 33 percent (from 18 percent in 2007). As a result, the share of those indifferent to Chinese migrants decreased by 11 percent and amounted to 44 percent in 2012. These findings can be further tested against a few hypotheses about the socio-psychological and socio-cultural processes: is it that prejudices towards the Chinese grow, or that national stereotypes become stronger?

It is also valid to question to what extent there is an increase of “xenophobia” towards migrants from China and other non-CIS countries. This has been confirmed by the results of other social surveys, such as by the Kazakhstani institute for socio-economic information and prognosis in 2010: Kazakhstani people are more tolerant to labor migrants from Russia and Central Asia than to those from China or Turkey, though *migrant-phobia* is present there too. Specifically, 62.9 percent of respondents have a positive or neutral attitude toward Russian migrants, out of which 27.5

percent is positive; only 19.8 percent have a negative attitude. Toward migrants from Central Asia the corresponding figures are 52.4 percent, 15.4 percent, and 31.9 percent, respectively. Toward migrants from China and other foreign countries 41.6 percent are positive or neutral, of which 15 percent are positive, and 40 percent are negative, representing the highest level of negative attitudes of all groups.

Kazakhstan has already witnessed local conflicts between locals and Chinese workers. This calls for further in-depth and applied studies to better understand what causes this low tolerance towards Chinese migrants and the widespread phobias and myths. This and other proactive measures is an important step to prevent ethnic and social tensions and migration-related conflicts, both at local and national levels.