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RUSSIA AND CENTRAL ASIA

■ ANALYSIS		
	Russia and Turkmenistan	2
	By Aleksei Malashenko, Moscow	
■ MAPS		
	Russia's Oil and Gas Pipelines	5
	GDP Per Capita (PPP US\$), Central Asia	6
■ GRAPHS		
	Turkmenistan: Origin and Destination of Exports and Imports	7
■ ANALYSIS		
	Russia Lures Uzbekistan as its Strategic Satellite in Central Asia	8
	By Alisher Ilkhamov, London	
■ GRAPHS		
	Russian-Uzbek Trade	11
■ ANALYSIS		
	The Kazakh-Russian Relationship	14
	By Martha Brill Olcott, Washington	
■ GRAPHS		
	Kazakhstan: Origin and Destination of Exports and Imports	17
■ OPINION POLL		
	Russian Attitudes towards Kazakhstan	18

Analysis

Russia and Turkmenistan

By Aleksei Malashenko, Moscow

Abstract

The relationship between Russia and Turkmenistan revolves around natural gas. The death of President Saparmurat Niyazov in January has led to a “thaw” inside the country forcing Russia to react to retain its influence, if not its monopoly on Turkmen gas exports. Now Turkmenistan is demanding a higher price for its gas, particularly given the profits Russia makes from sales to Ukraine and the West. President Gurbanguly Berdymukhamedov is pursuing separate pipeline projects that could link his country directly to China and to Europe without Russian participation. Whether Turkmenistan has the capacity to supply everyone who wants to buy its gas remains a mystery. How Turkmenistan develops its gas relations with potential new customers will determine its place in the Shanghai Cooperation Organization and the region’s larger political economy.

Relations Based on Gas

Russian-Turkmen relations have always been stable. Russia was sympathetic to former President Saparmurat Niyazov’s domestic policies, did not condemn him for the creation of a despotic regime, or intervene on the basis of protecting human rights. Russia “did not notice” the presence in Turkmenistan of opposition-dissidents, many of whom, after fleeing the tyranny, settled in Moscow and tried to draw the attention of the Russian authorities to the situation in their homeland.

The Kremlin also avoided asking delicate questions about the situation in Turkmenistan of the Russian and Russian-speaking population, which was increasingly deprived of its rights, opportunities to preserve culture and, ultimately, the ability to leave the country.

After Niyazov’s death in January 2007, the future of Russian-Turkmen relations became a topic of discussion not only in Moscow and Central Asia, but everywhere there was interest in the fate of Turkmenistan’s natural gas. This gas – its reserves, production, and transportation – were and remain at the center of Russian-Turkmen relations.

How will these relations develop and what can we expect in the future?

Ashgabad Driving Change

Most importantly, the impulse for change is coming from Ashgabad rather than Moscow. The Kremlin would benefit most from retaining the status quo. Russian politicians and businessmen had adapted to the now deceased Niyazov, usually called Turkmenbashi, meaning “father of the Turkmen people,” and had learned how to work with this extravagant eastern despot. He was predictable!

The new president of Turkmenistan Gurbanguly Berdymukhamedov is introducing a degree of liberal-

ization in the country. In Moscow, his policy is dubbed the “Turkmen thaw,” referencing Nikita Khrushchev’s rule after the death of Stalin. He has granted greater access to the Internet, restored ten years of education for young people, promised to open branches of several Russian universities in his country, and restored pensions. Turkmenbashi had reduced education by one year and cancelled pensions, saying that adult children should take care of their parents. Next year allocations will be increased for healthcare and education. The new president released from prison 11 political prisoners accused of participating in an attempted coup on November 25, 2002. Additionally, he has slowly reduced the influence of Niyazov’s personality cult: taking down some statues and removing his small on-screen profile from all television broadcasts.

In foreign policy, the new leader has begun to move away from the notorious “Turkmen neutrality,” which meant the complete isolation of the country from the external world. He has made the country more open, intensively met with foreign politicians at home and abroad.

Berdymukhamedov’s second international visit, in April 2007, was to Moscow. The first he made to Saudi Arabia as a devout Muslim, which above all confirmed the Islamic identity of his country. In the early visit to Moscow, many saw a symbolic preservation of the previous relations, continuing the course which both Russia and Turkmenistan had supported. Naturally, the main topic of conversation was the fate of Turkmen gas.

Turkmenistan Demanding More for Its Gas

In 2005 Turkmenistan had signed a contract with Gazprom, according to which this Russian company remained the exclusive importer (and re-exporter to

Ukraine) of gas until 2028. Additionally in 2003, Putin and Niyazov reached an agreement, according to which in the course of 2006–2010 Russia would receive from Turkmenistan 50 billion cubic meters of gas each year, essentially all of the Turkmen gas exports. According to these plans, deliveries will grow from 42–45 billion cubic feet to 80–90 billion cubic feet. Within the framework of this agreement, the price for Turkmen gas rose from \$44 to \$100 per thousand cubic meters. Whereas earlier Russia paid half of the price through barter deliveries, now it pays the entire price in cash.

Of course, with such long term contracts, the price cannot be fixed and it is likely to grow in the future. It is only a matter of time before the price rises, particularly since Turkmenistan is unhappy that Gazprom sells Turkmen gas to Russia for \$100 per thousand cubic meters, while Russian gas goes for close to \$300 in Europe. Turkmenistan is not the first country to point out the great disparity in prices. Kazakhstan, Russia's main partner in Asia set this precedent and did not rule out the possibility of raising the price for its gas from \$100 to \$160.

In the summer of 2007, Russia laid its trump card on the table – the expansion of the Caspian gas transportation system with the renovation of existing and the building of a new pipelines running along the Caspian shore, for which an agreement should be signed this year. If Moscow's goals are realized, Kazakhstan should join Russia and Turkmenistan in constructing and using the pipeline. The Russians hope that Kazakhstan's participation will reduce that country's interest in the Trans-Caspian Gas Pipeline, which is centered on the construction of a gas pipeline across the Caspian Sea bed, and Nabucco projects (see more on this below).

Within the framework of the Caspian gas pipeline project, Russia monopolizes the purchase and import of Turkmen gas. However, the project will only work with the good will of Kazakhstan, which initially expressed sincere enthusiasm, but since then has voiced some reservations. Kazakhstan, which is gradually becoming the main investor in Central Asia, has long since positioned itself as an independent political and economic force, emphasizing that it is not a satellite of Russia. In September 2007, Kazakhstan confirmed its participation in the project and even requested that Turkmenistan speed up the preparation of the related documents (the head of the Turkmen gas state company said there would be no delays on his side). However, Astana stresses that it agreed to this project exclusively on the basis of its own national interests and not according to "requests from Russia."

After numerous negotiations about Russian-Turkmen gas cooperation, including those with the participation of Putin, former Prime Minister Mikhail Frad-

kov, Foreign Minister Sergei Lavrov, Gazprom head Aleksei Miller, and others, it became clear that despite the smile of the new Turkmen leader and his assurances of friendship, Ashgabad and its Central Asia neighbors would conduct a multi-vectored foreign economic policy. For Russia, this would mean the loss of the monopoly right to import Turkmen gas.

Numerous Export Routes

Before his death, Turkmenbashi had begun to think about the diversification of gas exports. He gave first priority to the "Chinese project." In the spring of 2006, during his visit to Beijing, Turkmenbashi promised to deliver to China 30 billion cubic meters of gas and even named 2009 as the year when deliveries would start. He supported his promise with the offer to build a gas pipeline which would travel through Uzbekistan and Kazakhstan. Looking at the map reveals the impressive size of the project: its overall length is 7,000 km, including 188 km of pipeline in Turkmenistan, 530 km in Uzbekistan, 1,300 km in Kazakhstan, and 4,300 km through China.

During the 1990s, Turkmenistan had considered the "senseless idea" of constructing a gas pipeline from Turkmenistan through Afghanistan to Pakistan and possibly farther to India. The price of the pipeline varied from \$1.5 to \$4 billion. The company UNOCAL was prepared to cover most of the costs. At that time in Ashgabad, emissaries from the Taliban worked to assure Turkmenbashi that they could guarantee the full security of the gas pipeline. The project for obvious reasons upset Russia and has since collapsed.

There are also difficulties with the "Chinese Project": it requires huge investments, security guarantees, and assurances that there is enough Turkmen gas for its full implementation. Nevertheless, the experience of recent years demonstrates the possibility of realizing the boldest projects. And the current Turkmen leadership has no plans to back away from this project. Moreover, Berdymukhamedov confirmed the words of his predecessor in full. The quick pace of the deadline Turkmenbashi set is hardly realistic, but efforts are already being made in this direction.

The Role of China

Thus, China has become a powerful competitor for Russia and one that will be very difficult to counter. In 2008, Gazprom will have to participate in a tender, otherwise its future purchases will be placed in doubt. The paradox is that China, being an economic competitor to Russia, remains its political ally. Regarding Turkmen gas, for Russia the worst case scenario would be that Beijing does not make any concessions to Moscow and its partnership with Russia turns out to be merely tacti-

cal. Concerning China's specific national interests, one should not expect concessions.

The developments within Turkmen politics also have important implications vis-à-vis China. In the course of securing power after Turkmenbashi's death, Berdymukhamedov succeeded in removing one of the most powerful Turkmen political figures, the head of the National Security Service Akmurad Redzhepov. It was Redzhepov who secured the peaceful transition of power. According to some accounts, he was the chief advocate of the Chinese project. Presumably his role in developing Chinese ties was one of the reasons for his removal: the new president wanted to personally control relations with China.

The possibility of Turkmen gas exports to China gives Russia mixed feelings about Turkmenistan's proposed membership in the Shanghai Cooperation Organization (SCO). All members have expressed support for its membership, including both Moscow and Beijing. However, the Kremlin recognizes that membership in the SCO would ease Turkmen-Chinese, as well as all Central Asian-Chinese, relations in the energy sphere. In other words, it would create the conditions for yet another gas pipeline that does not pass through Russia.

A Caspian Pipeline Avoiding Russia

Another alternative for bypassing Russia is the Trans-Caspian Project, which proposes:

- The construction of a gas pipeline on the bed of the Caspian Sea with a 30 billion cubic foot annual capacity
- The connection of this pipeline to the Baku-Tbilisi-Erzurum pipeline
- And from there, on to Austria through the Nabucco project, which will have 31 billion cubic feet annual capacity and will start construction in 2010.

This project has the active support of the United States.

Ashgabad has mixed feelings about the Trans-Caspian project. On one hand, it has not given its final approval. On the other, the Turkmen leadership has not hidden its interest in the project. For example, during his visit to the US, Turkmenistan Minister of Foreign Affairs M. Berdiev noted that the government of his country was not against exporting gas to Azerbaijan. Washington succeeded in initiating negotiations on this topic between Ashgabad and Baku, a significant accomplishment given the Turkmen-Azerbaijan argument about the ownership of hydrocarbon deposits in the Caspian. (There is also a pipeline in Iran, but since its capacity is 5–8 billion cubic meters a year, it "is not big enough to matter," as the Russian experts say.)

In contrast to the Baku-Tbilisi-Ceyhan pipeline, which has mainly political significance, the proposed

Trans-Caspian gas pipeline is important from an economic point of view. It has particular significance to the Europeans, whose demand for gas is quickly rising and who are seeking a diversity of energy sources. The International Energy Agency's current baseline scenario shows that European Union demand by 2050 will be 650 billion cubic meters a year. And, even if there is a decrease in demand for gas, usage will not fall below 500 billion cubic meters a year.

The "political thaw" in Ashgabad has helped improve ties with Washington. The US has practically stopped criticizing the Turkmen leadership for violating human rights and crushing basic freedoms. This situation to some extent undermines Russia's position, which always closed its eyes to the totalitarian character of the former Turkmen regime, stressing its right to build to build a state and establish social relations on the base of its identity. Now both the US and Europe recognize the right of Turkmenistan to its identity.

Questions of Capacity

The diversification of gas pipelines and the intention of Turkmenistan to satisfy the appetite of all interested sides raise questions about the size of its gas reserves and, correspondingly, their export potential. There are no reliable statistics on this account. According to most estimates, after Russia and Iran, Turkmenistan occupies third place in global gas reserves, with 23 trillion cubic meters, though some sources rank it fifth. However, in practice, these figures fluctuate up and down. Characteristically, Ashgabad does not publish official data about the recently discovered deposit in Iolotani, describing them as "enormous," while other analysts consider them "middling."

Turkmenistan currently produces more than 70 billion cubic meters of gas a year. Ashgabad promises soon to produce 120 billion cubic meters while independent experts anticipate that production will more likely be in the range 70–105 billion cubic meters.

To meet the needs of all potential customers from 2009, it is necessary to produce 150 billion cubic meters a year. Not one serious specialist thinks that such rapid output growth is possible. Accordingly, everyone understands that it will be necessary to sacrifice something. The Russians are convinced that they are safe. The Chinese think the same thing. The Europeans are also optimistic. One way or another, the competition of foreign powers around Turkmenistan will grow and Russia will have to do more to preserve its current influence.

Turkmenistan Seeks Its Place

Interestingly, Ashgabad did not support the Iranian proposal, energetically lobbied by Russia, to create a

“Gas OPEC,” which would help gas producers control the price of gas. Turkmenistan simply ignored this proposal without discussing its merits, preferring to define its relations with its consumers independently on the basis of their own considerations.

It is possible that the battle between Turkmenbashi’s successors remains unfinished. In this situation, Russia will not succeed as before in remaining on the sidelines, giving the view that whoever climbs to the Ashgabad’s political Olympus will fully support a pro-Russian line. Most likely, the competing Turkmen leadership factions will appeal to the US, China, Turkey, and possibly others.

Ultimately, relations between Russia and Turkmenistan will depend on how their ties develop in the en-

ergy sphere. While these relations are formally friendly, they are always embedded in Turkmenistan’s multi-vector strategy. Russia must not only take this situation into account, but constantly adjust to Turkmen initiatives. In other words, while recognizing that it will not be able to preserve its monopoly on importing Turkmen gas, it will try to preserve its leading position in this sphere.

As Russian First Deputy Minister of Foreign Affairs Andrei Denisov put it, “Russia is not against healthy economic competition in energy.” Only in this way will Moscow succeed in preserving its political influence in Turkmenistan.

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Maps

Russia’s Oil and Gas Pipelines

Russia: Main Oil Export Pipelines



Russia: Main Natural Gas Export Pipelines



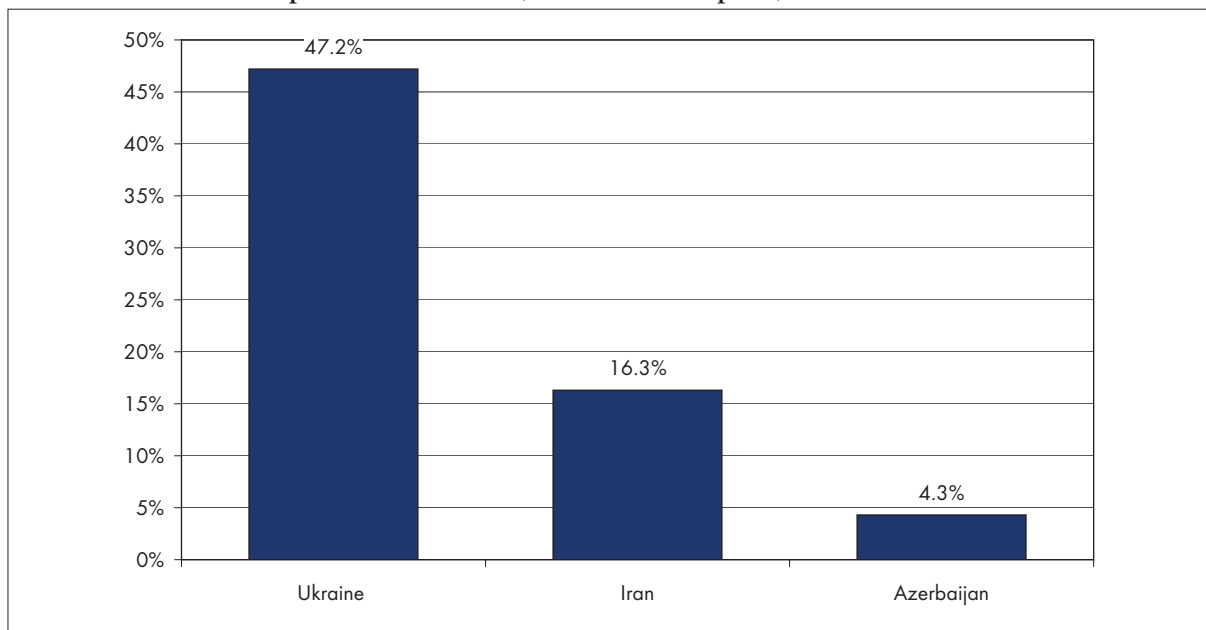
GDP Per Capita (PPP US\$), Central Asia



Graphs

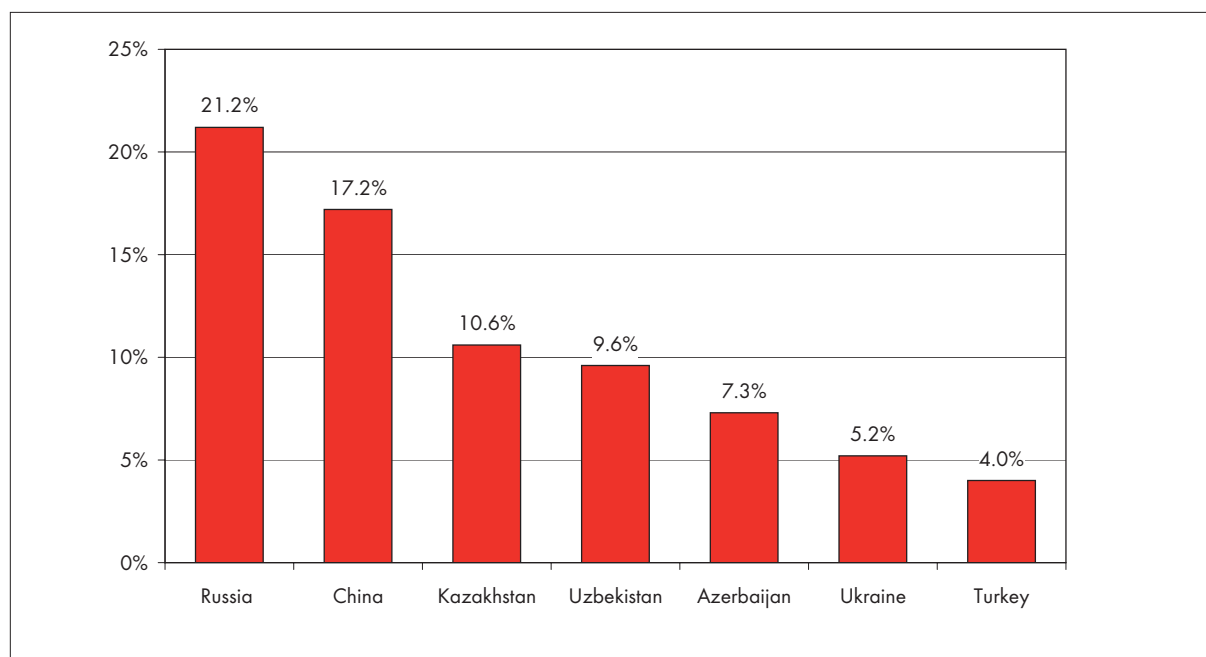
Turkmenistan: Origin and Destination of Exports and Imports

Turkmenistan's Main Export Partners 2006 (in % of Total Exports)



Source: <https://www.cia.gov/library/publications/the-world-factbook/geos/tx.html>

Turkmenistan's Main Import Partners 2006 (in % of Total Imports)



Source: <https://www.cia.gov/library/publications/the-world-factbook/geos/tx.html>

Analysis

Russia Lures Uzbekistan as its Strategic Satellite in Central Asia

By Alisher Ilkhamov, London

Abstract

After a period of coolness between Russia and Uzbekistan during the 1990s, their relationship has returned to a Soviet-style pattern of patron-client relations. The rapprochement between them came into effect after the Karimov regime fell out with the West following the “color” revolutions and Andijan events. Although trade between these two countries remains at a very low level, Russia seeks to benefit politically and economically by asserting control over Uzbekistan’s gas resources and leveraging its advantageous geo-strategic location. In return, the Karimov regime, whose popularity within the country is declining, is anxious to guarantee its security. Thus, while Russia’s expectations in this case are related to its structural national interests, Uzbekistan is driven by the personal concerns of its current political leadership. Therefore, this strategic alliance is far from stable, threatened by the possibility of regime change, which could occur at any time in this Central Asian country.

Historical context

After Tsarist Russia conquered Turkistan in the middle of the 19th century, this region became an advanced post for the Russians in their dealings with the Muslim world. The Great Game began when Russia decided to withstand the expansion of the British Empire in Asia. Since then the Russians have invested extensively in the region in order to integrate it politically and economically into its imperial domain. They built extensive transportation infrastructure in the region, including a railroad and developed irrigation systems and cotton production to boost their own textile manufacturing. With the transformation of the Tsarist colonies into the national republics of the Soviet Union, this politics of integration and absorption advanced with new vigor. The Russians promoted a program of modernization and social reforms, which had a deep and contradictory impact upon the local societies. On the one hand, it boosted industrialization of the domestic economy, the education system, and the emancipation of women. On the other, the Russians sought to eradicate the local Muslim faith, establish ethno-nationalist states, impose the Cyrillic alphabet for indigenous languages, and force the local elites to speak Russian. Most of current political leaders in the region, including current Uzbek President Islam Karimov, are the product of Soviet-era efforts to cultivate local communist cadres.

Long after the dissolution of the Soviet Union, Uzbekistan still carries the economic, social, and political birth-marks of its Soviet past. These are particularly visible in its style of governance. The Soviet legacy continues to shape the relationship between contemporary Russia and the former Soviet republics. This relationship is somewhat ambivalent: all former nation-

al republics are wary of Moscow’s neo-imperial ambitions, yet they share many socio-cultural commonalities with Russia that, along with Russia’s revitalizing economic might, prompt them to re-adopt the role of client states in respect to their former master.

This current state of affairs sharply contrasts with the end of the 1980s and the beginning of the 1990s, when the centrifugal tendencies across the former Soviet Union prevailed over centripetal ones. In 1991, profiting from Moscow’s political weakness, the republican political leaders moved to declare independence from the Soviet Union. Politically and economically frail under Yeltsin’s rule, Russia pursued a sluggish foreign policy toward Central Asia in the first part of the 1990s. However, the consolidation of state and economic power under Putin and the collapse of the US-Uzbek geo-strategic alliance in 2004–2005 allowed Russia to re-instate its influence in Uzbekistan.

When the “color revolutions” started breaking out across the post-Soviet space in late 2003, the Uzbek leadership experienced a deep paranoid fear that it would be toppled by plots hatched by domestic civil society and international NGOs and rapidly reconsidered its foreign policy orientation. It methodically expelled foreign NGOs and cut off the military partnership with the United States. Simultaneously, President Karimov worked to fill the vacancy in the spot of “elder brother” by offering it to Moscow. This swing in foreign policy contrasted dramatically with the previous period of fierce anti-Russian propaganda, which was characteristic for the Uzbek regime during the 1990s.

The final landmark signifying the radical shift in Uzbekistan’s foreign policy toward embracing Russian

patronage was the Andijan events of May 2005.¹ While the Western states reacted critically to these events, Vladimir Putin (and the Chinese) supported Karimov without hesitation and justified his brutal crackdown on the unrest in Andijan. Understandably, President Karimov appreciated this support and consequently worked to please the Russians and strengthen strategic ties with them.

In July 2005, the United States was given six months to shut its K-2 airbase in Khanabad, which had been a source of annoyance for the Kremlin. Two months earlier, in May 2005, Uzbekistan had terminated its membership in GUUAM, an alliance bringing together Georgia, Ukraine, Uzbekistan, Azerbaijan, and Moldova, another irritant for Moscow. Less than a year later, in March 2006, Uzbekistan joined the Eurasian Economic Community (EvrAzEs), patronized by Moscow, and signed a new bilateral agreement in which Russia assured Uzbekistan that it would intervene if the Uzbek regime faced domestic or foreign threats. Finally, in August 2006, Uzbekistan returned to the Collective Security Treaty Organization (CSTO), seven years after the suspension of its membership in this Moscow-controlled regional organization.

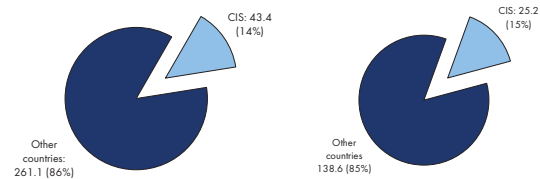
In return, the Russian government worked to make President Karimov happy and to seek his favor. During his visit to Uzbekistan in June 2005, President Putin pledged to invest one billion US dollars in the Uzbek economy, mainly Gazprom's and Lukoil's deals with their Uzbek counterparts. The Russians were especially courteous with Karimov's daughter Gulnara Karimova, who is considered a likely presidential successor in Uzbekistan and a key mediator in strengthening Uzbek-Russian ties, especially in gas and oil deals. While Gulnara remains the subject of an international arrest warrant and can not visit most Western countries, following the ruling of an American court in 2001,² she has received a high-profile reception in Russia.

What Are Uzbek-Russian Mutual Interests?

At first glance, Uzbekistan is not a significant trading partner for Russia. As the graphs on p. 12 show, Uz-

bekistan receives only 3 percent of Russia's exports and supplies just 6 percent of Russia's imports from the CIS countries. The importance Uzbekistan as a trade partner for Russia becomes even smaller when placing the CIS countries in the context of Russia's overall foreign trade turnover (see graphs below).

Structure of Russian exports in 2006, bln USD Structure of Russian imports in 2006, bln USD



(Source: Russian Federal Service of State Statistics, 2007)

Nevertheless, in the last several years Russia has demonstrated an increasing interest in improving its economic and political relations with Uzbekistan. To understand the significance of Uzbekistan for Russian interests, and vice versa, one has to place this country, as well as the whole Central Asian region, on the larger map of Russian global aspirations, paying special attention to the context of Russian business with Europe. The continent represents the greatest value for Russia and its economic interests. Europe is the destination for 66 percent of Russian exports, in which gas and oil are the prime commodities. One should examine Russian attitudes toward Central Asia in general and Uzbekistan in particular from this perspective. The Central Asian region with its vast energy resources³ is vital for Russian economic business in Europe, which is the main importer of Russian energy resources.

In 2004–2006 Uzbekistan produced 59–62 billion cubic meters of natural gas annually. This output is comparable to the production of Turkmenistan, but Uzbekistan exports much less gas than the Turkmen because it uses the bulk of it (up to 95 percent) for domestic consumption. Combined, gas exports from these two countries allow Russia to supply its domestic market with comparatively cheap gas, at \$100 per thousand cubic meters, while freeing up Western Siberian gas deposits as a source of high profit exports to Europe, where gas sells for \$230–250 per thousand cubic meters. Russia thereby makes a huge profit thanks to exploiting a price scissors in its cross-regional gas import-export schemes. High profits are not the only advantage Russia gains from controlling the export of Uzbek and Turkmen gas. In fact, Russia is tempted to attain a

1 After the trial of 23 local businessmen, widely perceived in Andijan as unfair and fabricated by the security agencies, a group of armed people assaulted a number of state institutions (a prison, military garrison, police station and local government). The next day a mass demonstration, largely peaceful, took place in the central square. The government troops responded by shooting indiscriminately at the crowd. Hundreds of people, including women and children, were reportedly shot dead and then buried secretly in mass graves.

2 After divorcing Mansur Maksudi, an American citizen and businessman, Gulnara secretly took their kids from the USA to Uzbekistan without the father's consent. Maksudi sought to reverse his wife's action and won custody of his two children from a New Jersey court.

3 Central Asian overall gas deposits are estimated to be as much as 22 trillion cubic meters, comprising 12 percent of world reserves.

monopoly in supplying gas to Europe and the GUAM zone (Georgia, Ukraine, Azerbaijan, and Moldova) as a lever of political influence.

Uzbekistan, as well as Central Asia in general, is a top priority for Russian interests not only because of its gas and oil reserves, but also for its advantageous geo-strategic location. It is positioned at the nexus of several zones of global geopolitical interest, including Russia, China, South Asia, Iran, the Caspian Region, and Transcaucasia. Uzbekistan is particularly important for global powers because it is situated exactly at the heart of Central Asia and borders all its countries. Russia's claims for control over this region could not be realized without Uzbekistan as a close ally. Uzbekistan is crucial because it is close to Afghanistan and maintains comparatively well developed infrastructure in the areas approaching the Uzbek–Afghan border.

Although Uzbekistan does not have a common border with China, it is close to this rapidly growing super-power, and within firing range for short- and medium-range ballistic missiles and aircraft. In short, neither of the other Central Asian countries possesses such a combination of geo-strategic advantages as Uzbekistan. Therefore, Russia must consider the return of Uzbekistan to the CSTO as a big gain.

When it comes to the area of security cooperation, one should make a distinction between two parties' real and rhetorical interests, as well question whether these interests have a structural or personalistic character. Both countries try to explain to the public, both domestic and international, that they ostensibly have common interests in fighting international terrorism. But surprisingly, the "international terrorists" are rarely specified by name. In most cases, "terrorists" refers to Islamists, but Russia and Uzbekistan have in mind different groups, which are only tenuously linked with each other (for instance, Chechens in Russia and the Islamic Movement of Uzbekistan in Uzbekistan). In fact, both parties have little need for each other in dealing with their domestic enemies.

For Karimov, Russia is important as a guarantor of his personal security and his hold on his office. The challenge to his rule may come from domestic mass unrest, but external threats are a less likely problem. Russia, in turn, is driven by its concern about the expansion of NATO, which is still seen by the current Russian political and military leadership with some hostility. When in 2001 Karimov invited the Americans to use the airbase in Khanabad, it made the Russians extremely nervous. So the ejection of the American military was a great relief for President Putin and his team.

The Looming Limits of Russian Influence

In dealing with Uzbekistan, Russia and the West perceive each other as seeking to exert exclusive influence over this

country. As a consequence, this contest is zero sum rather than win-win for all large stakeholders involved. For the time being, the Russians are taking the lead in this game, but have achieved this position largely due to the failure of the Uzbek regime to employ a multi-vector foreign policy as, for instance, the neighboring Kazakhstan and Kyrgyzstan do much more successfully. Karimov has for a long time expressed contempt for a multi-vector foreign policy and, as a result, suddenly found himself vulnerable due to his one-sided approach.

There are some signs that the Uzbek leadership is reconsidering its policy of aligning with only one great power and is now seeking to diversify its foreign policy partnerships. First of all, the Russians have not yet been allowed by the Uzbeks to replace the Americans in leasing the Khanabad airbase, despite the Russians' undisguised desire to acquire it. Instead, Uzbekistan proposed that they use the airbase in Navoi, located much farther from the Afghan border, and only in crisis situations, i.e. without the permanent deployment of their military facilities.

Observers paid particular attention to the presentation made in March 2007 at the Moscow Carnegie Center by Rafik Saifulin, an analyst from Uzbekistan who is closely associated with the Presidential Security Council. His criticism of the Uzbek-Russian relationship reflected the intention of some circles in the Uzbek political elite to restore, to some extent, ties with the West as a counter-balance to Russia in Uzbekistan's foreign policy. Current Uzbekistan Minister of Foreign Affairs Vladimir Norov is also widely seen as a proponent for Uzbekistan's rapprochement with the West, especially with NATO and the European Union.

After officially announcing its entry into the Russian-sponsored regional organizations CSTO and EvrAzEs, Uzbekistan is evidently not rushing to join the approximately 70 EvrAzEs conventions on specific issues that would require Uzbekistan to adjust its legislation to its commitments as a member-state of these regional entities. Uzbekistan was notably absent from the SCO military exercises "Peace Mission – 2007." Another indication of President Karimov's cooling attitudes toward Russian-controlled regional entities has been the small number of reports published in the Uzbek official press, reflecting the president's mood about the last united CIS-EvrAzEs-CSTO summit in Dushanbe on October 5, 2007.

For the moment, the stumbling block preventing Uzbekistan from adopting a multi-vector foreign policy has not been the Uzbek leadership's lack of desire to keep an equal distance from the great powers, but its unwillingness to pay the price for doing that, i.e. by improving its appalling human rights record.

It is evident, that further struggle between Russia and the West over influence in Uzbekistan will probably focus on bargaining around such issues as energy, military bases and human rights. Europe could pay for Uzbek gas and invest much more than Russia, but the regime's human rights violations affront the European Community and restrain it from embracing such a brutal regime as a partner. Though Russia's "tolerance" toward the crackdown on civic freedoms in Uzbekistan satisfies Karimov, Russia's ultimate intention is to limit the sovereignty of its former subjects and expand control over their foreign policies.

One can fairly conclude that Russia would like to impose upon Uzbekistan, as well as the other weak

Central Asian states, a limited sovereignty akin to what Bukharan and Khivan khanates had in the 19th century. Political elites in Uzbekistan definitely oppose Russian objectives and are inspired by them to find a counter-balance against Russian neo-expansionism.

Besides, the asymmetry in the expectations held by Russia and Uzbekistan makes their current strategic alliance unstable, particularly since it relies heavily on the personal fate of President Karimov and his family. After Karimov, the new elites in Uzbekistan may find that they are no longer interested in courting Russia. At that point they would find it attractive to seek a counter-balance to Russian expansion in closer relations with Europe and China.

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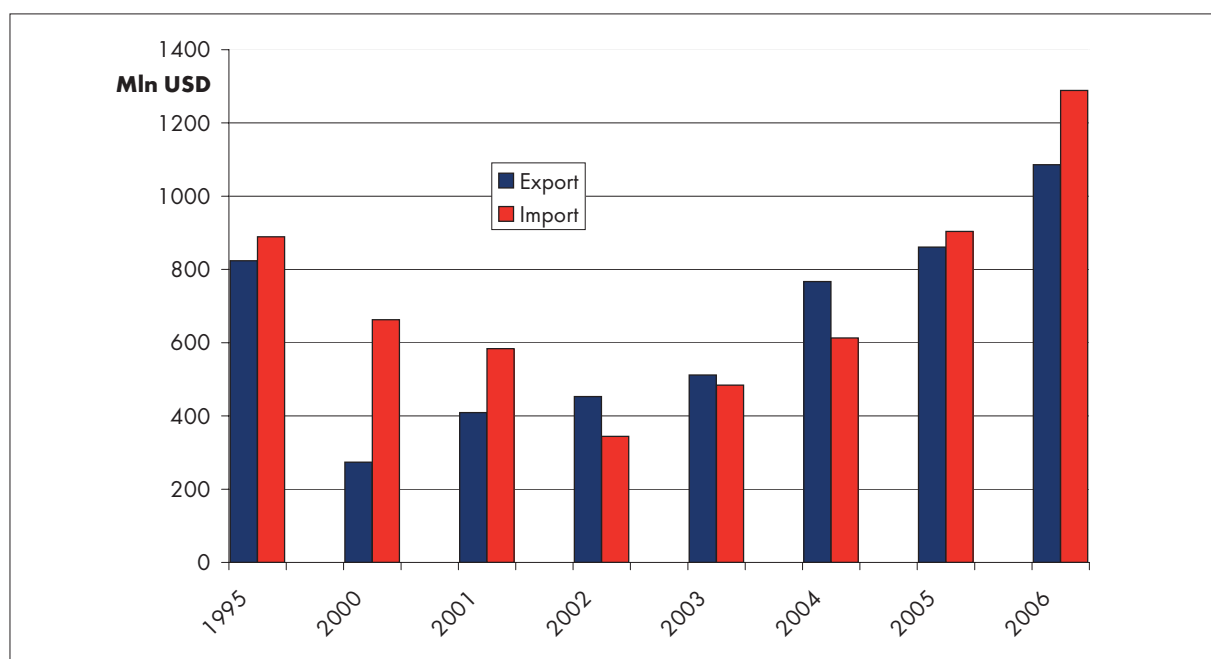
Further reading:

- Natural Gas in Uzbekistan in 2004, International Energy Agency, http://www.iea.org/Textbase/stats/gasdata.asp?COUNTRY_CODE=UZ
- Report on prospects for Uzbekistan seminar, held March 21, 2007 at the Moscow Carnegie Center, <http://www.carnegie.ru/ru/news/75938.htm>

Graphs

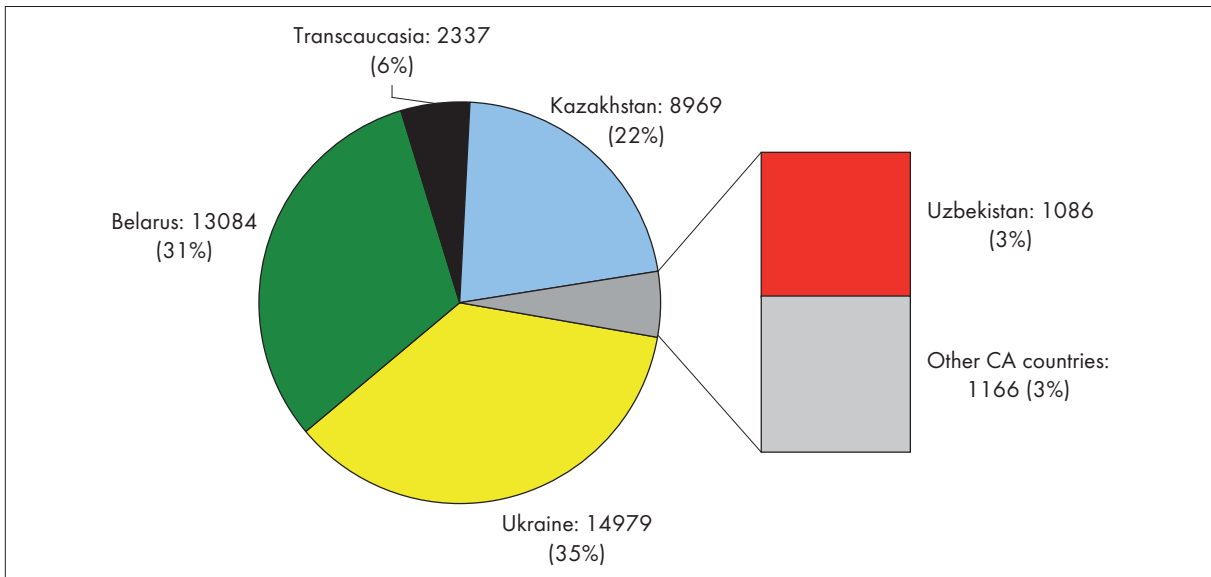
Russian-Uzbek Trade

Russian Trade Balance with Uzbekistan



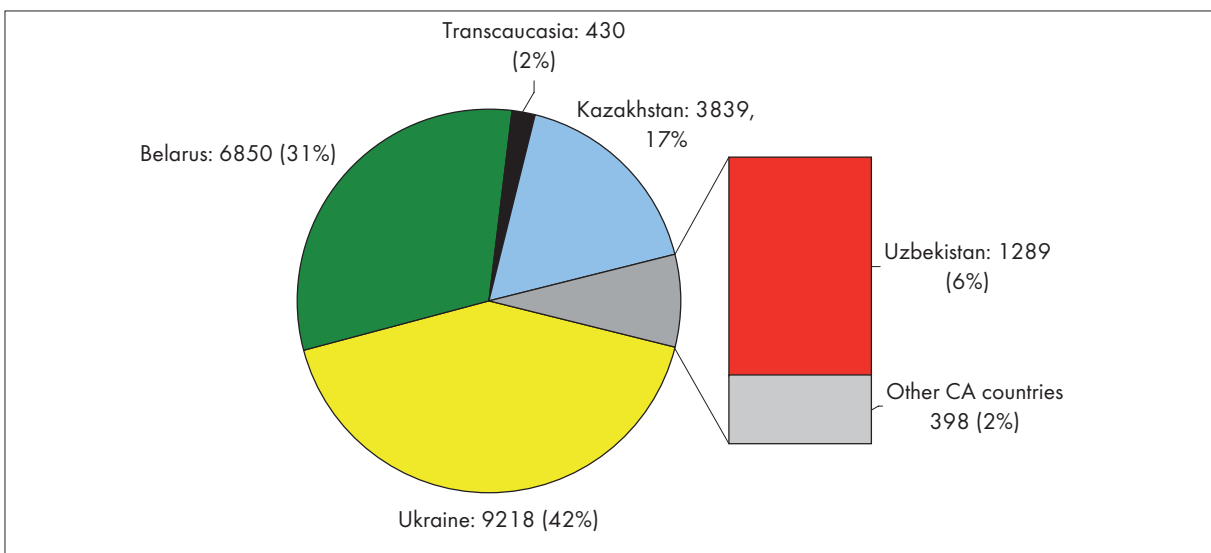
(Source: Russian Federal Service of State Statistics, 2007)

Chart 1. Shares of CIS Countries in Russia's Exports in 2006, mln USD



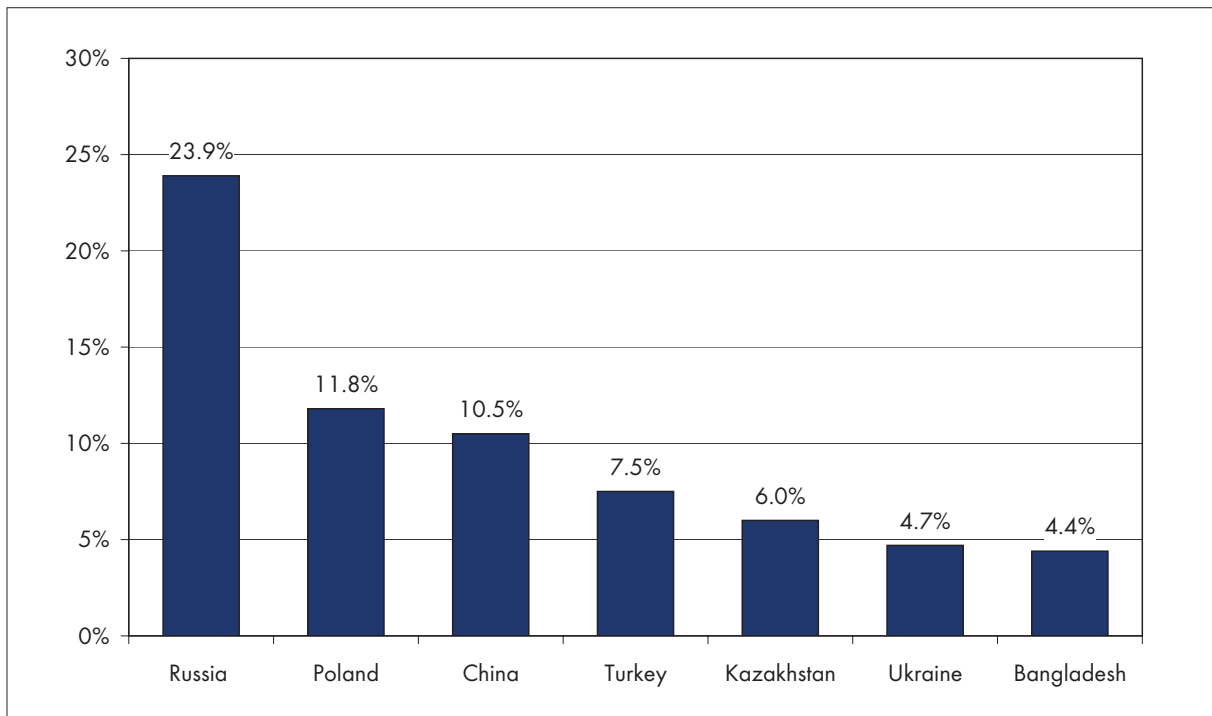
(Source: Russian Federal Service of State Statistics, 2007)

Chart 2. Shares of CIS countries in Russia's imports in 2006, mln USD



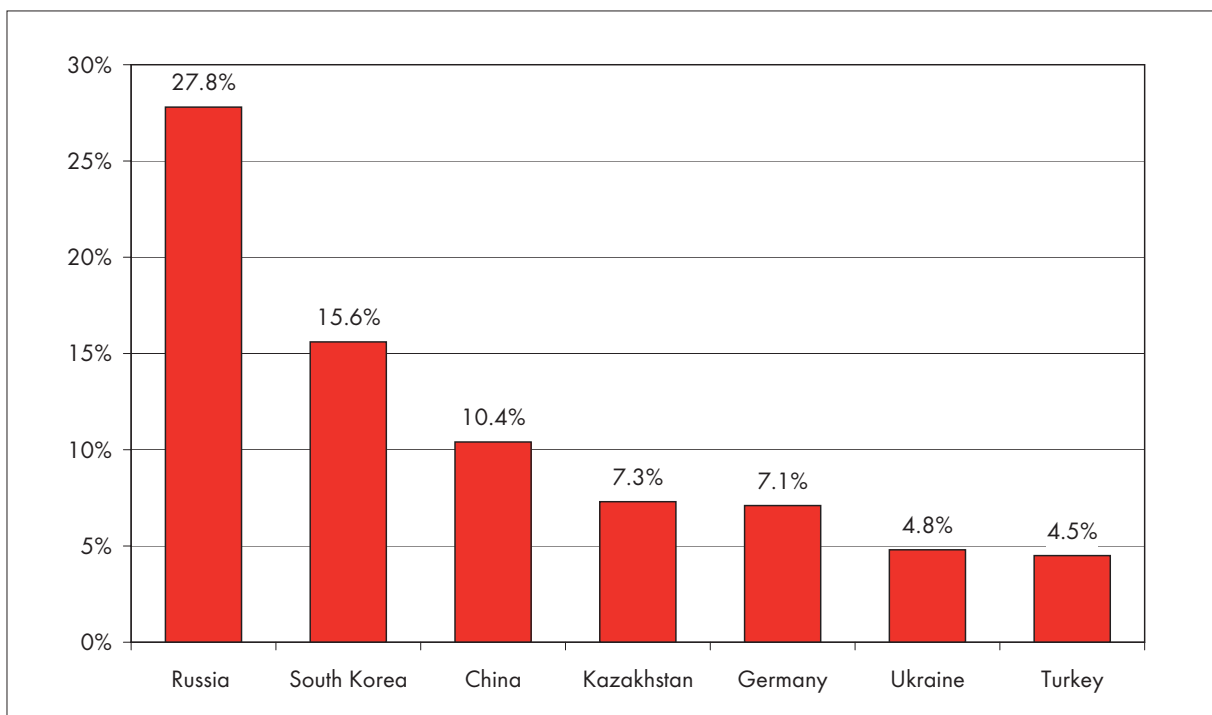
(Source: Russian Federal Service of State Statistics, 2007)

Uzbekistan's Main Export Partners 2006 (in % of Total Exports)



Source: <https://www.cia.gov/library/publications/the-world-factbook/geos/uz.html>

Uzbekistan's Main Import Partners 2006 (in % of Total Exports)



Source: <https://www.cia.gov/library/publications/the-world-factbook/geos/uz.html>

Analysis

The Kazakh-Russian Relationship

By Martha Brill Olcott, Washington

Abstract

Since independence, the Kazakh-Russian relationship has been a defining one for Kazakhstan, and as long as Russia continues to exist as a single sovereign state, Kazakhstan's domestic and foreign policies will continue to be formed partly in Russia's shadow. But, while Russia has sometimes been a troublesome neighbor for the Kazakhs, it has never been a cripplingly nasty one, and overall the relationship between Kazakhstan and Russia has been much smoother than most expected. This is due in large part to the skill with which Kazakhstan's leaders have handled their Russian interlocutors, in bilateral and multilateral settings, and to Kazakhstan's success in maintaining a multi-vector foreign policy.

Russia's Evolving Strategy

Over time it has been Russia, not Kazakhstan, which has been the more unpredictable partner. Through much of Boris Yeltsin's term in office, the Kazakh-Russian relationship satisfied neither party. Russia sought to use Kazakhstan's energy debts and geographic isolation as a brake on Kazakhstan's economic development, forcing the Kazakhs to develop a multi-vector foreign policy and investment strategy in order to survive.

By contrast Putin, realizing that the Kazakhs had attracted new and potential economic and security partners, tried a more positive approach. Russia's second president has used the carrot more frequently than the stick, creating a series of partnerships between the two countries and their key industries which is likely to withstand Putin's departure and that of Nazarbayev as well.

Kazakhstan Nervously Eyes Independence

Nazarbayev had initially been quite nervous about what independence could mean for his country, which had nearly as many ethnic Russians as ethnic Kazakhs, and shared a seven thousand plus kilometer border with Russia. Kazakhstan lacked any sort of international constituency to advocate its national sovereignty. But once independence became a reality, Nazarbayev was determined to make the best of it. The Kazakh leader appreciated his country's major strength – that it had inherited part of the Soviet strategic nuclear arsenal, which could be traded away for international recognition, especially by the U.S.

Nazarbayev quickly sparred with Yeltsin over questions of economic and political integration, wanting the various post-Soviet states to function collectively, but as relative equals. Nazarbayev continued to hope for this under Putin, but although Russia and Kazakhstan are technically part of a "common economic commu-

nity," in reality there is no secure legal basis for functional economic integration with Russia. However, on traditional questions of security, Nazarbayev was, and remains, willing to follow Russia's lead. Kazakhstan signed an agreement on collective security with Russia in May 1992. It has remained an active member of the Collective Security Treaty Organization (CSTO) ever since, cooperating with NATO but never at the expense of its security relationship with Moscow.

Kazakhstan's economic policy is much more independent of Russia, placing priority on receiving foreign direct investment from the U.S., Europe and Asia's economic powers, not just in the energy sector, but in a number of other economic clusters designed to make the country self-sufficient.

Nazarbayev went through an important mental shift in the mid-1990s. As Yeltsin started to fail physically, the more youthful Nazarbayev gathered new strength. Leaving economic planning to close associates, Nazarbayev concentrated his efforts on trying to advance the international image of Kazakhstan, aided in part by the fact that the Kremlin never took advantage of Kazakhstan's seeming Achilles heel, its large and increasingly dissatisfied Russian population.

Border delineation between the two countries did not begin until 1996, and it took roughly a decade to conclude, with the Kazakhs making numerous small concessions to Russia, giving over to their jurisdiction many divided settlements that were largely composed of ethnic Russians. Russia then began the process of fortifying parts of the border, but has managed to complete only a small fraction of the necessary work.

But even in the years before border negotiations began, the Kremlin never pursued an aggressive policy of trying to rile up Kazakhstan's ethnic Russians. The Russian diaspora has always been a focus in the Duma, but there has never been large-scale funding of Russian na-

tionalist groups, and Kazakhstan's Russians never received the right to dual citizenship from Astana. Most of the prominent Russian nationalists basically abandoned their cause, moving from Kazakhstan to Russia by the late 1990s. The Cossacks of Kazakhstan, a frequent nuisance to the Kazakh government, largely faded into the woodwork after 1999, when a small group of them from Ust-Kamenogorsk were charged with treason and given long prison sentences, with only some blustering from the Russian press and Duma. The Kazakhs responded to the bad press by re-broadcasting fewer Russian programs, and began restricting the hours of Russian language programming more generally.

One thing helping to defuse these tensions was Russia's willingness to absorb the millions of Russians who sought repatriation – more Russians (in both absolute numbers and in percentage terms) came to Russia from Kazakhstan (about two million) than from any other post-Soviet state. In recent years, however, the direction of flow has begun to reverse. The Kazakh government, though publicly maintaining its eagerness to have all of its citizens remain in their "homeland," was in fact quite happy with the demographic shift which occurred through the departure of the Russians and ethnic Germans. In a span of ten years, the Kazakh population in the country went from being a minority (38 percent) to over 50 percent in the country's first census, in 1999. The "return" of Kazakhs living in China and in Mongolia explained some of this boost.

There is no visa regime between Kazakhstan and Russia, and today citizens can pass between these states using domestic passports, rather than the passports used for international travel. Kazakh academic degrees are recognized in Russia, and Kazakh citizens are legally able to work in Russia.

Kazakhstan and Russia in the Fossil Fuel Sector

Kazakhstan's biggest problem with Russia has been securing satisfactory transit rights to move its oil and gas across Russian territory to Europe, but there is no evidence to suggest that Russia's tough negotiating line was ever linked in any way to the difficulties ethnic Russians had in Kazakhstan, although certainly the Kazakhs feared that this would be the case if they ever crossed some sort of invisible line in their opposition to Moscow's terms.

The difficulties in establishing a commercially satisfactory relationship from Russia during the negotiations over the Caspian Pipeline Consortium (CPC) pipeline left the Kazakhs and their Tengiz consortium partners very concerned about the economic consequences of Kazakhstan's dependence on transporting oil and gas across Russia. When the CPC pipeline finally opened in 2001, a whole new series of problems appeared, having

to do with the role of Russian management, the structure of tariffs, and the desire of Tengiz project partners to have Russians expand the pipeline capacity.

These difficulties have made the Kazakhs receptive to talk of alternative pipeline routes, first through Afghanistan, and then through Iran via Turkmenistan. When neither of these seemed viable, the Kazakhs entered an energy partnership with China, which has led to a new pipeline going eastward across Kazakhstan.

The Kazakhs have also remained interested in the U.S. sponsored initiative to build a pipeline to Turkey through Azerbaijan and Georgia, but recognized that the proposal to ship oil (and gas) through pipelines under the Caspian Sea would be a non-starter for Russia. As a result the Kazakhs did not formally commit to the Baku Tbilisi Ceyhan (BTC) pipeline until it was a reality, a decade later, and even then merely agreed to send oil across the Caspian in freighters, rather than in an undersea pipeline that was supported by the U.S.

The Kazakhs have also been more solicitous of Russian concerns over the unresolved legal status of the Caspian Sea than were either the Azerbaijanis or Turkmen. Key for Kazakhstan was securing Russian agreement on the idea of national sectors, for Moscow's original position had been on a condominium arrangement for the development of undersea mineral deposits, with all five littoral states benefiting equally. This idea was unacceptable to the Kazakhs, who have the most valuable deposits off their shoreline.

Kazakhstan began negotiating the status of the Caspian Sea with Russia in 1996, reaching a preliminary agreement on its status in 1998, which allowed each country to develop their respective undersea mineral reserves, and provided a corridor for joint-development along the median line separating their sectors. The Kurmangazy deposit is the largest field near this median line, and is set to be developed between Rosneft and Kazmunaigaz.

Kazakhstan's Approach to International Relations

The Kazakhs maintain that their country is going to develop into a bridge between Europe and Asia, and they have tried to make an asset out of what is obviously a very disadvantageous economic position. Certainly it is no accident that the Kazakhs are working with oil companies and metallurgical concerns from virtually every major European and Asian nation, as well, of course, as the U.S and Canada.

Kazakhstan's location means that it must contend with transport through Russia, not just of oil and gas, but by highway and railroad to reach open ports. For this reason the Kazakhs are interested in international initiatives introducing new transit corridors, but opted

not to join international groupings, like GUAM (Georgia, Ukraine, Azerbaijan and Moldova, as well as Uzbekistan briefly) that explicitly sought to reduce Russia's influence as a goal in itself. Kazakhstan's approach was always a softer one, increasing the countries' options, in ways that were open to all takers.

One of the ways that the Kazakh government always mitigated the damage from the ill-will of the Russian center was to encourage contact between local akims and their Russian gubernatorial counterparts across the border. Joint ventures with the Russians are often quite rational economically, as the Kazakhs had inherited a transit system (both rail and road) that provided better north-south linkages (between Kazakh and Russian cities) than east-west linkages (across Kazakhstan).

While Kazakhstan has never given the Russians anything like a veto in their international relations, they are always cognizant of Moscow's reaction. It is undoubtedly not an accident that the Kazakh-U.S. relationship and the Kazakh-Chinese relationship both improved substantially during the late Yeltsin years, when Russia's president was both politically and physically very weak. This notwithstanding, Kazakhstan's focus vis-à-vis China was always one of trying to achieve balance in its international relations with these two powerful border states—one in an inevitable decline and the other in the ascendancy. For this reason the creation of the Shanghai Cooperation Organization (SCO), first conceived in 1996, has been beneficial for the Kazakhs, creating a forum in which Russian and Chinese initiatives might be successfully parried by the smaller states.

The existence of the SCO has helped mute some of the impact of Russia's growing assertiveness after Putin came to power. Nazarbayev is obviously less happy about Putin's efforts to attract Central Asian participation in Russian-initiated energy projects (and hydroelectric power along with hydrocarbons), but unlike in the Yeltsin years, Putin less frequently resorts to threats and has been more amenable to improving the commercial terms on offer.

Putin certainly made Russia's behavior more predictable. But although more politic, Putin remains a tough and sometimes underhanded negotiator. For example, at the end of a May summit between Nazarbayev and Putin, the former agreed to ship Kazakh oil through the proposed Burgous-Aleksandropol's pipeline and believed that he had secured CPC expansion as well. However, Putin's post-summit statements made it clear that Russia was still simply considering CPC expansion, and had not yet fully committed to it.

That said, one should not diminish the importance of shared values between the Kazakhs and Russians, in both their economic dealings and in their state-building preferences. Both want to attract foreign direct in-

vestment, but do so in a way that protects state management of the development of strategic natural resources. Nazarbayev seems to be following Moscow's lead, and is extracting concessions from foreign companies working in Kazakhstan's oil and gas sector, albeit in not as dramatic a fashion as Putin has done.

While many of Putin's domestic policies have occasioned criticism in the West, they have been viewed with favor in Kazakhstan, leaving Kazakhstan's leader feeling freer to concentrate his power as well. Following the "color" revolutions in Georgia and Ukraine, Kazakhstan, like Russia, introduced more restrictive laws on media, political parties, and non-governmental organizations. Kazakhstan also effectively became a one-party state, with only Nur Otan, Nazarbayev's party, gaining representation in the lower house of the parliament in the August 2007 elections, a pattern which Russia is on the verge of copying.

Kazakhstan has also found synergies with Russia in the development of other economic sectors. There are a large number of medium-sized joint ventures that appear to be thriving between Russian and Kazakh entrepreneurs, especially in agro-business and light industry.

Russia seems quite pleased with Nazarbayev's assumption of a greater leadership role throughout Central Asia in recent years. When the Kyrgyz government nearly collapsed in November 2006, Nazarbayev and Uzbek leader Islam Karimov took a concerted and much more direct role in trying to bolster Kyrgyz President Kurmanbek Bakiyev. The Kazakhs have a dominating position in the Kyrgyz economy, the Tajiks are asking their advice on whom to partner with in the hydroelectric sector, and Nazarbayev has sought to make newly-elected Turkmen President Gurbanguly Berdimuhamedov his protégé on questions of Turkmen energy development.

Certainly, Nazarbayev is not a surrogate for Russia, and clearly has his own agenda. But much of this agenda overlaps with that of Moscow. Nazarbayev is not opposed to shipping his oil and gas through Russia. The key is that he wants commercially attractive prices for it.

Russia has also been willing to go to bat for Kazakhstan. For example, they have been offering dire threats of what the future of the OSCE is likely to be if its member states do not support Kazakhstan's bid for the chairmanship of the organization. Of course, Russian hectoring is making some member states more reluctant to support the Kazakhs.

The Future of the Kazakh-Russian Relationship
Vladimir Putin's term as president ends March 2008, although it is unclear whether or not he will then leave

the political scene. Assuming he does, there are unlikely to be any dramatic changes in the Kazakh-Russian relationship. Russia's next leader is likely to be more nationalistic than Putin, who has made very extensive use of nationalist rhetoric in recent years. But Kazakhstan, and the Kazakhs' treatment of their Russian minority, has not been a serious focus of this rhetoric and they are unlikely to be a focus in the future.

If there is in fact a transition period in Russia, Nazarbayev will use the time to further consolidate Kazakhstan's international position. Obviously, the reverse is also true. Russia will find it easier to get the upper hand in dealings with Kazakhstan when Nazarbayev passes from the political scene. For the time being, Nazarbayev

has changed the constitution to allow him to continue to run for office. Whatever Nazarbayev's failings as leader – they have been many – he has had some good instincts as to what it would take to make Kazakhstan a success as a nation.

Nazarbayev obviously cannot stage manage what will occur after his death, all the more so if it occurs unexpectedly during his current term in office. But Nazarbayev is also determined to secure his legacy and the independence of his nation. It is thus possible that he just may be vain enough to work out a succession scenario whereby he insures a successor who will prove a match for whoever is Moscow's leader at that time.

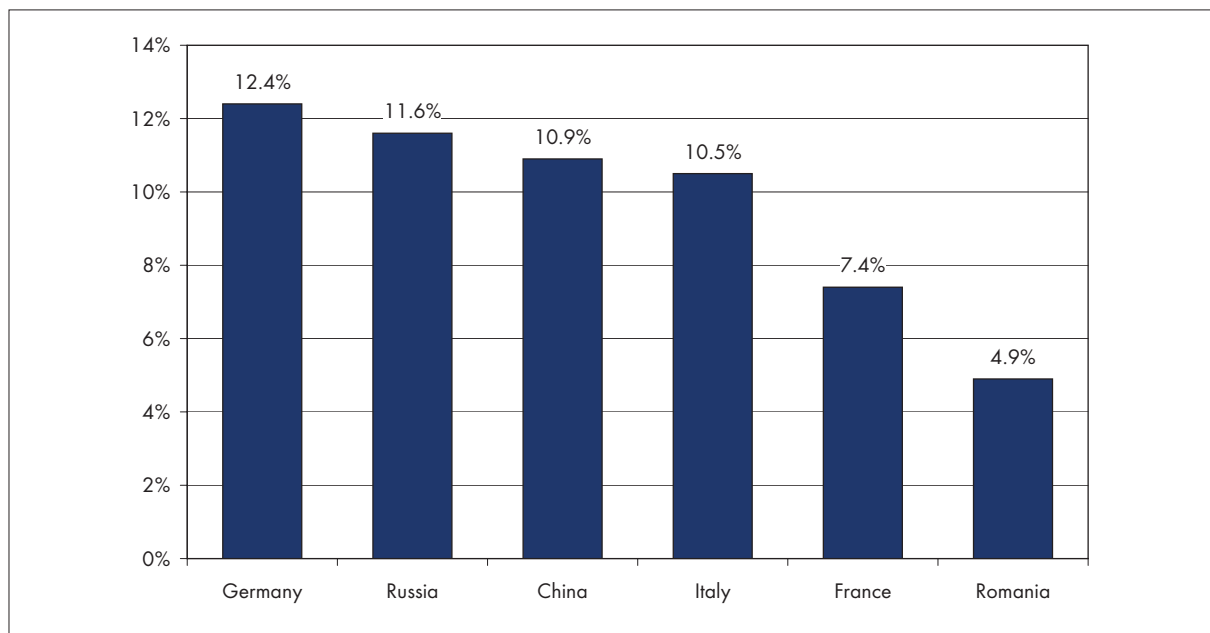
About the author:

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Graphs

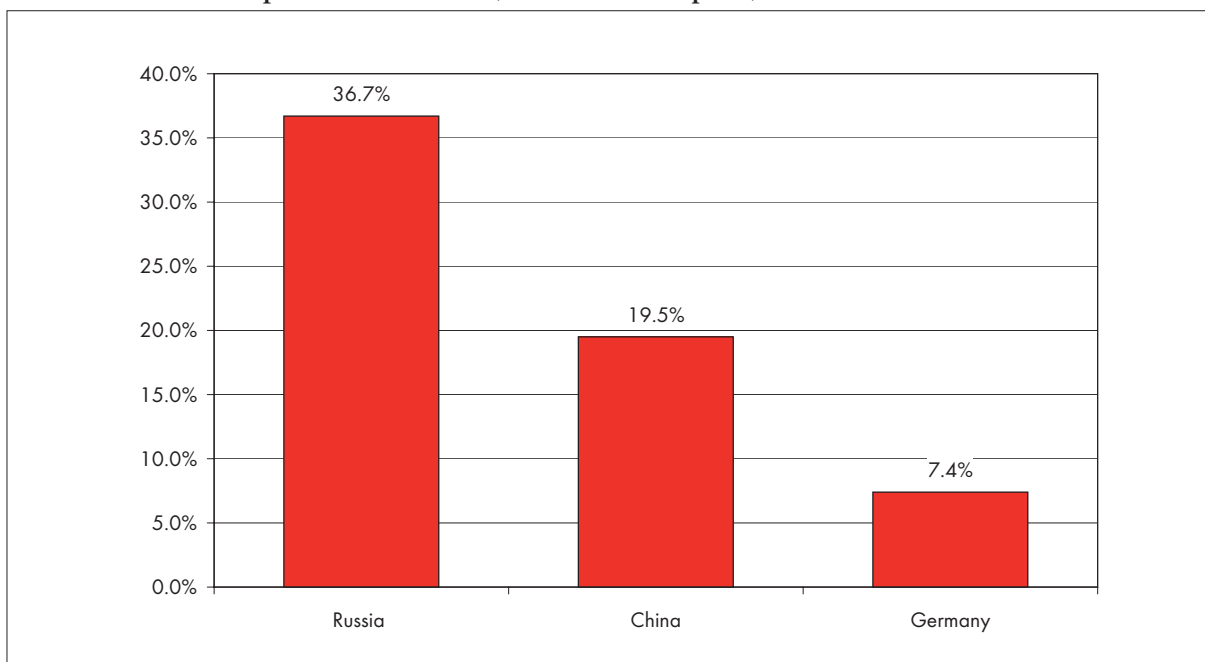
Kazakhstan: Origin and Destination of Exports and Imports

Kazakhstan's Main Export Partners 2006 (in % of Total Exports)



Source: <https://www.cia.gov/library/publications/the-world-factbook/geos/kz.html>

Kazakhstan's Main Import Partners 2006 (in % of Total Exports)



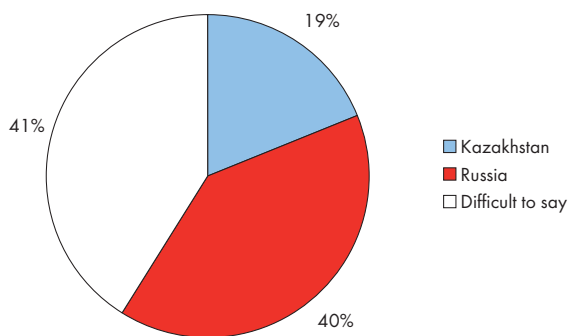
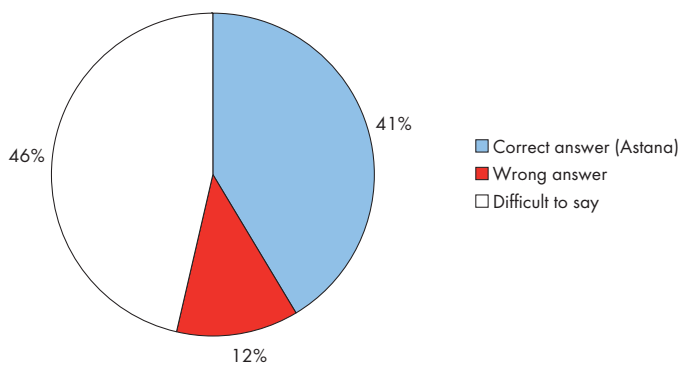
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Opinion Poll

Russian Attitudes towards Kazakhstan

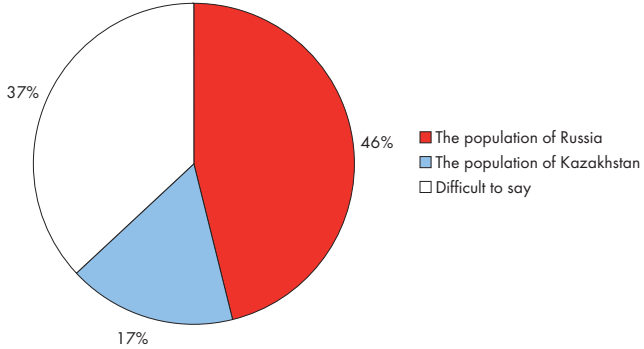
Which City is the Capital of Kazakhstan?

Sixteen Years Ago, the Soviet Union Fell Apart. In Your Opinion, Which of the Two Countries Developed More Successfully After the Dissolution of the Soviet Union – Russia or Kazakhstan?

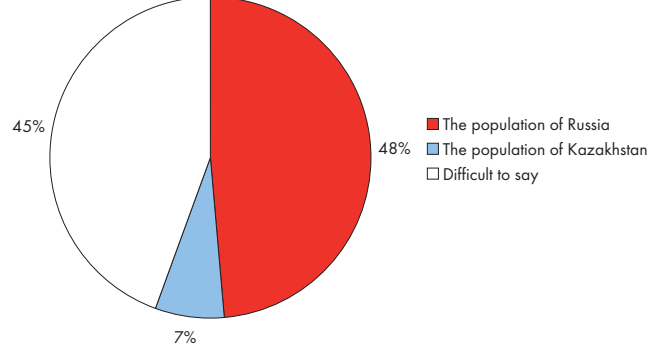


Source: Opinion poll conducted by the Public Opinion Fund
http://bd.fom.ru/report/map/projects/dominant/dom0718/domt0718_8/d071827

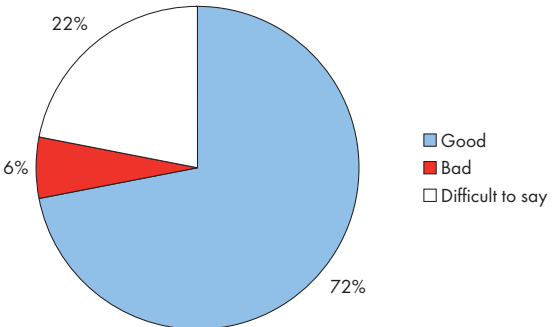
The Population of Which Country Today is Richer and More Well-To-Do, Russia or Kazakhstan?



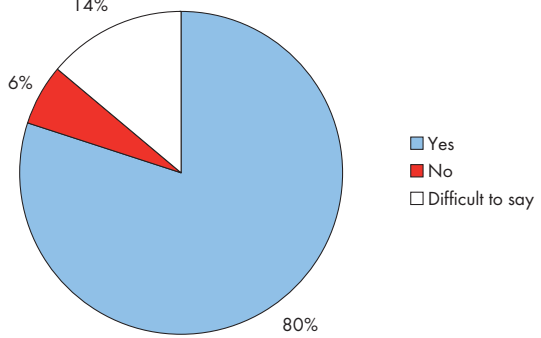
The Population of Which Country, Russia or Kazakhstan, Today has More Democratic Rights and Liberties?



In Your Opinion, are the Relations Between Russia and Kazakhstan Today Good or Bad?



What Do You Think – Should Closer Relations be Built Between Russia and Kazakhstan?



Source: Opinion poll conducted by the Public Opinion Fund
http://bd.fom.ru/report/map/projects/dominant/dom0718/domt0718_8/d071827

About the Russian Analytical Digest

The Russian Analytical Digest is a bi-weekly internet publication jointly produced by the Research Centre for East European Studies [Forschungsstelle Osteuropa] at the University of Bremen (www.forschungsstelle-osteuropa.de) and the Center for Security Studies (CSS) at the Swiss Federal Institute of Technology Zurich (ETH Zurich). It is supported by the Otto Wolff Foundation and the German Association for East European Studies (DGO). The Digest draws on contributions to the German-language *Russlandanalysen* (www.russlandanalysen.de), the CSS analytical network on Russia and Eurasia (www.res.ethz.ch), and the Russian Regional Report. The Russian Analytical Digest covers political, economic, and social developments in Russia and its regions, and looks at Russia's role in international relations.

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Research Centre for East European Studies [Forschungsstelle Osteuropa] at the University of Bremen

Founded in 1982 and led by Prof. Dr. Wolfgang Eichwede, the Research Centre for East European Studies (Forschungsstelle Osteuropa) at the University of Bremen is dedicated to socialist and post-socialist cultural and societal developments in the countries of Central and Eastern Europe.

The Research Centre possesses a unique collection of alternative culture and independent writings from the former socialist countries in its archive. In addition to extensive individual research on dissidence and society in socialist societies, since January 2007 a group of international research institutes is participating in a collaborative project on the theme "The other Eastern Europe – the 1960s to the 1980s, dissidence in politics and society, alternatives in culture. Contributions to comparative contemporary history", which is funded by the Volkswagen Foundation.

In the area of post-socialist societies, extensive research projects have been conducted in recent years with emphasis on political decision-making processes, economic culture and the integration of post-socialist countries into EU governance. One of the core missions of the institute is the dissemination of academic knowledge to the interested public. This includes regular email service with nearly 15,000 subscribers in politics, economics and the media.

With a collection of publications on Eastern Europe unique in Germany, the Research Centre is also a contact point for researchers as well as the interested public. The Research Centre has approximately 300 periodicals from Russia alone, which are available in the institute's library. News reports as well as academic literature is systematically processed and analyzed in data bases.

The Center for Security Studies (CSS) at ETH Zurich

The Center for Security Studies (CSS) at the Swiss Federal Institute of Technology (ETH Zurich) is a Swiss academic center of competence that specializes in research, teaching, and information services in the fields of international and Swiss security studies. The CSS also acts as a consultant to various political bodies and the general public.

The CSS is engaged in research projects with a number of Swiss and international partners. The Center's research focus is on new risks, European and transatlantic security, strategy and doctrine, state failure and state building, and Swiss foreign and security policy.

In its teaching capacity, the CSS contributes to the ETH Zurich-based Bachelor of Arts (BA) degree course for prospective professional military officers in the Swiss army and the ETH and University of Zurich-based MA program in Comparative and International Studies (MACIS), offers and develops specialized courses and study programs to all ETH Zurich and University of Zurich students, and has the lead in the Executive Masters degree program in Security Policy and Crisis Management (MAS ETH SPCM), which is offered by ETH Zurich. The program is tailored to the needs of experienced senior executives and managers from the private and public sectors, the policy community, and the armed forces.

The CSS runs the International Relations and Security Network (ISN), and in cooperation with partner institutes manages the Comprehensive Risk Analysis and Management Network (CRN), the Parallel History Project on NATO and the Warsaw Pact (PHP), the Swiss Foreign and Security Policy Network (SSN), and the Russian and Eurasian Security (RES) Network.

Any opinions expressed in Russian Analytical Digest are exclusively those of the authors.

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