

Eyes on Central Asia: How to Understand the Winners and Losers

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The Need for a Perspective on Central Asia's Importance

The collapse of the USSR led to almost immediate discussion of a supposed new “Great Game” in Central Asia. The US was purportedly vying for influence with Russia and China, while regional powers like Iran and Turkey were said to be competing with each other, and even with the European states, Japan, and other Asian countries.

But for all the discussion of a new “Great Game” in Central Asia, after fifteen years of independence, the five states of Central Asia have not been consigned to any single geopolitical “camp.” Neither Russia, nor China, nor the US is able to dictate outcomes in this region, and while Turkey and Iran are both active in the region, neither plays a decisive role. In fact, all five states have sought balance in their international relations, lining up more closely with the US, Russia, and China as opportunities to advance their own national interests seem to warrant, while simultaneously maintaining a very inviting hand to virtually all the major industrial powers, to Japan, India, Korea, Germany, the UK, France, and even to the smaller European nations, as opportunities to advance their own national economic agendas were offered.

This does not mean that major actors in the international community have not competed for influence in Central Asia; they most certainly have. But Russia and China excepted, virtually no other international actors

were unwilling to make securing their influence in the region a foreign policy priority. This includes the US, which did accord priority to this region in the immediate aftermath of the terrorist attacks on American soil in September 2001, but US priorities once again shifted in 2003, with the decision to attack Iraq.

Some countries entered the competition with little sense of why, save that international competitors were eager to be engaged in the region. Those, like Russia, Turkey, and Iran, that viewed their national security as directly tied to the Central Asian states often lacked effective levers to advance their cause, and this was particularly true of Russia in the first years after the collapse of the USSR. By contrast, China, which certainly had the capacity to advance its interests, took a “go slow” approach, Beijing not wanting to make its move too quickly as long as China’s long-term goals remained uncompromised.

With time, a number of countries even dropped out of the competition, while others began to formulate a clearer idea of what their national interests were vis-à-vis the Central Asian states. There is certainly much to attract the world’s largest economies to Central Asia. The area has vast energy resources and presents new transcontinental transport alternatives. And neglect of the region has potential costs as well, given the potential for radical Islamic terrorism and for international criminal groups to become entrenched, tied in part to opium production and heroin trade through the region.

Nonetheless, most western democracies have decided that the states of Central Asia are of real, but secondary, importance for their energy, and for national security more generally. While fearful of the political vacuum that defeat of President Hamid Karzai’s regime in Afghanistan would create, most NATO nations remain unwilling to commit large numbers of troops to the military operation there. Similarly, Central Asia’s oil reserves, while relatively large (Kazakh oil reserves in particular), can only be a secondary or tertiary source for western countries, while Central Asian gas, of more direct interest to European states in particular, cannot fully substitute Russian gas, so must be secured in ways that do not fully alienate Russia.

By contrast, for Russia and China, securing long-term access to Central Asia’s energy resources would make a huge difference to their energy supply, both for domestic use and in the case of Russia allowing

them to better serve the export market. Civil unrest in Central Asia would likely have a direct impact on both Russia's and China's internal security.

And, in fact, it is China's, but more especially Russia's, interest in the region, and in the region's energy resources in particular, that has been motivating many western governments to increase their engagement in the region. This is very apparent in US policy, in particular. In a somewhat simplified restatement of the policy, Russia and China are depicted as threats to solidifying the stability of these regimes, while an increased western presence is depicted as promoting the building of markets and democratic polities, all necessary for securing the long-term independence of these regimes. Other countries simply want to secure the investments of their national "flag-bearing" energy companies.

In an almost mirror image, especially since 2001, both Russia and China have justified their increased engagement partly as an effort to limit US influence in the region. And they soften their economic requests with promises of political protection, which, since the Rose Revolution in Georgia in late 2003, the Tulip Revolution in Kyrgyzstan in 2005, and the violence in Andijian, Uzbekistan, two months later, seem more attractive to several Central Asian leaders than US and EU pressure to democratize.

However, this article will argue that the degree of geopolitical competition that currently exists in Central Asia poses no particular risk either for the region, or for western security interests more generally. The Central Asian states are becoming increasingly competent in defending their own national interests, and most have devised complex foreign policy strategies that rather successfully play off the competing foreign interests that seek to influence them.

Even more importantly, as this article will detail, while "all eyes" may be on Central Asia, they are oftentimes not steadfastly focused, with foreign actors often pursuing conflicting policies that underestimate the complexity of the region. While the region may seemingly suffer from overengagement by the international community, it may actually be a victim of underengagement.

US Policies in Central Asia

US policy-makers shook up the strategic balance in Central Asia in the autumn of 2001 when it opened bases both in Uzbekistan and in

Kyrgyzstan, increased foreign assistance to the Central Asian states, and started talking about new kinds of strategic partnerships and alliances. Yet the limits of the US strategic engagement in the region were set by the Bush administration's decision to go to war in Iraq, and by the subsequent decision to use this military engagement to lead a global campaign to advance the cause of democratic governance. This made the Central Asian states much less attractive to the US, and also made the US a far more problematic partner for many Central Asian leaders.

The US Department of Defense always served as the region's strongest advocate within the administration, using these states as a launching pad for military and humanitarian operations in Afghanistan. A few even provided some ancillary support in Iraq.

The Pentagon never expected any of these states to follow the path of Latvia, Lithuania, or Estonia into the North Atlantic Treaty Organization (NATO), but the Bush administration did expect the region to continue to provide support in the global repositioning of US forces. But by late 2005, it was quite clear that this was a not-to-be realized goal, at least for the life of the Bush administration. The US was forced out of its base in Uzbekistan, after already-difficult negotiations were broken off in the wake of US criticism over Tashkent's handling of events in Andijian, and the refusal of the Uzbek government to permit an OSCE- or UN-sponsored inquiry into them. And it took the US almost 15 months to negotiate new terms for their facility in Kyrgyzstan, with Washington settling for a short-term agreement with substantially increased costs to the US side.

Increases in US assistance to the region never came close to mirroring Central Asian expectations. While there was an increase in US assistance to the region, in most categories, it proved short lived; US military assistance increased quite strikingly in 2002 and 2003, only to drop sharply in FY2004 and FY2005, when the relative importance of these bases began to diminish. And US security assistance in the region was designed to respond to immediate US security needs, targeting border security in particular, rather than to provide support for a comprehensive overhaul of the internal and external security systems, something that the Central Asian states were anxious to receive.

So it should not have been surprising that the US relationship with Uzbekistan began to turn sour in 2004, after the Bush administration had fully embraced the call for the global spread of democratic governance,

and as a consequence of this, the US secretary of state refused to certify Uzbekistan as having made progress in human rights, resulting in nearly \$20 million of assistance to the Uzbek government being cut off.

After the European and US displeasure over Uzbekistan's refusal to allow an OSCE or UN inquiry into the civilian deaths there, it was effectively a foregone conclusion that the US presence would not be long term. The Pentagon had already begun to "step down" the state of readiness of their base in Uzbekistan, but did wish to preserve long-term basing rights as protection against future security risks in Afghanistan and Pakistan, and as a year-round entry point for northern Afghanistan. As a result, they were quite unhappy when the Uzbeks requested the withdrawal of US forces in the late summer of 2005, invoking a six-month termination clause in the original agreement.

The Uzbeks were clearly playing tough with the US, having discussed their desire to break out of Washington's sphere of influence in bilateral meetings between President Islam Karimov and both his Russian and his Chinese counterparts. And the US presence in the region was also raised at the July 2005 Shanghai Cooperation Organization summit, held in Astana, Kazakhstan, at which all six member nations (Russia, China, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan) called on Washington to set a date for its military withdrawal from the region.

The faltering US-Uzbek relationship made it very important for the US to retain control of the US military facility at Manas Airport, which is renewed annually and now serves as a major logistical hub for US operations in Afghanistan. It has also provided about a hundred local jobs and revenue for the government and local suppliers, which under the Akaev regime, included close family members, which left some in the Kyrgyz opposition demanding that the US compensate the Kyrgyz government for "lost" revenue, lost because President Askar Akaev accepted an agreement that provided relatively little rent—under \$30 million per year—but made commitments to purchase all fuel and many other supplies through local merchants.

Kyrgyz president Kurmanbek Bakiev reaffirmed the status of the base during a visit by Secretary of Defense Donald Rumsfeld to Kyrgyzstan in August 2005, shortly after Bakiev's election, but the negotiations over the base continued for over a year, after the new government demanded \$200 million annually in rent. In the end, the Kyrgyz and US governments agreed to a base arrangement that included

rent for the base as part of a larger and broader foreign assistance package. But the basing issue will continue to arise, and is likely to remain a factor causing friction between the two countries, as both the opposition and the government remain “suspicious” of the US, the government in part because it is committed to trying to balance relations with the US with close ties with both Russia and China, and the opposition because they feel that the US has not been supportive enough of their efforts to continue the “Tulip Revolution” that ousted Akaev until a real democratic system is introduced in Kyrgyzstan.

Although there is no military base there, Kazakhstan is the Central Asian state of greatest interest to US leaders, largely because of the country’s vast oil and gas reserves, whose largest fossil-fuel deposits are being developed in partnership with US energy companies. The government in Astana is an important partner for Washington, and for this reason, even with Kazakhstan’s initial opposition to the US-led military action in Iraq, the Kazakhs did eventually decide to send a small group of twenty-seven troops to Iraq to support the US-led international effort, after initially opposing the war in terms that were only slightly more measured than those of Russia.

Turkmenistan and Tajikistan do not figure as prominently in US strategic thinking about Central Asia. Until now, Turkmenistan has facilitated the passage of large volumes of humanitarian assistance bound for Afghanistan through its territory, and quietly allowed repairs and occasional refueling. There has also been increased cooperation between US and Turkmen officials to interdict heroin and opium crossing the country. The principal US security concern in Tajikistan is improving narcotics interdiction. Tajikistan’s government is eager to cooperate even more closely with the United States. NATO forces are allowed to use highways bound for Afghanistan and enjoy access to bases, but the road between these two countries has high mountain passes that are impassable during the long winter.

While Washington never had any realistic expectation that the Central Asian states would be admitted into any of the key European political and economic associations, US policy-makers did hope that these states would make steady progress towards becoming democracies with market economies. Over the past fifteen years, the region’s progress towards democracy has been erratic at best. Kazakhstan and Kyrgyzstan made some early progress towards creating more open and democratic

politics in the mid-1990s, only to move in the other direction over the next several years. Kyrgyzstan's color revolution in March 2005, which led to Askar Akaev's replacement by Kurmanbek Bakiev, was the most ambiguous of the post-Soviet popular protests that resulted in a regime change. But the government of President Bakiev and Prime Minister Feliks Kulov has also faced strong opposition since taking power, although the adoption of a new constitution providing for greater power for the parliament in November 2006 could prove a stabilizer for the regime, and a source of pressure for other governments to introduce greater balance in their highly centralized presidential systems.

Kazakhstan, too, has made very uneven progress towards establishing democratic political institutions, holding what were judged by the OSCE to be flawed elections for parliament and president in 2004 and 2005 respectively. Nonetheless, President Nursultan Nazarbaev's claims that his country's progress in political and economic institution building merits Kazakhstan having the chance to be the first post-Soviet state to preside over the OSCE (in 2009).

Nazarbaev is likely to prove an even less enthusiastic political reformer if his request to the OSCE is rebuffed, demonstrating the increasing Central Asian self-possession in international affairs. With Kazakhstan on track to pump more oil for export each day than Iran by 2010, the United States no longer fears that the long-term access of western nations to Caspian oil might be at risk. The Baku-Tbilisi-Ceyhan (BTC) pipeline is already a reality, and the Kazakhs have committed some of their new output to this route starting sometime after 2008.

The US-Kazakh relationship has been capable of weathering potentially difficult crises, including the ongoing New York-based trials and investigation into corruption in Kazakhstan's oil industry. Although these cast a shadow over President Nazarbaev, both sides have proved able to compartmentalize the corruption scandal and keep it from damaging the bilateral relationship.

Over time, the Kazakhs have become much more businesslike in their dealings with western oil companies and the management of their national oil sector more generally. But they are seeking balance in investment in their hydrocarbon sector. This has been a contributing factor in the growing frustration of US policy-makers who have sought to expand US and western access to Caspian oil and gas. While there are always many

mutterings over Russian pressure on the Central Asians, in reality, the situation is far more complex.

As is discussed a little later on, Russia has sought to consolidate its position in the Central Asian gas industry in particular, and expand its holdings in the region's oil sector. But the Central Asian states, for all their much-professed desire to have alternative pipeline routes that bypass Russia, have not been terribly enthusiastic about leaping on the bandwagon to support US-sponsored alternatives.

The Baku-Tbilisi-Ceyhan pipeline was already operating before Kazakhstan made a firm, but very imprecise, commitment to ship substantial amounts of oil across this route once "big oil" from Kashagan was available. They have also given more tempered support for the building of undersea gas and oil pipelines across the Caspian, an idea recently revived by the US and some European states. In the last few years of his life Turkmen president Saparmurat Niiazov became more enthusiastic about the idea of getting its gas to Europe through routes that bypass Russia. The government of Gurbanguly Berdymuhammedov, which came to power in December 2006 has promised a more receptive environment to Western investors whose partnership in the gas production side of the project, without which the supply of Turkmen gas for such a pipeline cannot be assured.

In the mid-1990s, there were western firms keenly interested in investing in Turkmen production. Exxon and Royal Dutch Shell hoped to use Turkmen gas to open the door to develop Iranian gas fields through building a pipeline across Iran. Unocal put together an international consortium to ship Turkmen oil and gas across Afghanistan. Continued US sanctions put paid to the first project, while the deteriorating political situation in Afghanistan, and the newly acquired knowledge of al Qaeda camps in that country, led Unocal to walk away from its project.

Even today, there is no commercial interest behind the idea of a Turkmen-Afghan-Pakistani pipeline, despite the fact that the ADB is backing this project and prospects for the commercial sale of gas from Pakistan to India have improved. Even if conditions of doing business in Turkmenistan improve, investors still confront deteriorating political conditions in Afghanistan.

The same is also true of the Trans-Caspian gas pipeline. The US administration is interested in the project, and so too are a number of European governments (Hungary, Romania, and Austria in particular) as

this pipeline, which would connect with the Baku-Tbilisi-Erzurum gas pipeline currently under construction, would supply gas to the planned Nabucco pipeline that would go from Turkey to the Austrian border. Like the TAP pipeline, which could have ADB loan guarantees for participants, this project might obtain similar assurances from the EBRD, but Russia, too, has offered to supply gas to Nabucco, making this project less dependent upon Caspian gas.

But international financial institutions seem more eager for these projects than do western oil companies. Both projects have received new life since the Russian-Ukrainian gas fiasco of January 2006, when after failure to reach a gas price accord, Russia turned off gas supplies to Ukraine, and Ukraine bled off gas for their own usage, precipitating a further drop in gas pressure and effectively cutting off gas to Gazprom's European partners, but both still lack major western investors.

Russia in Central Asia

Initially, both Russia and China accepted the US military presence in Central Asia as an inevitable part of the US' retaliation against the "9/11" attacks. But neither country was willing to have its national interests overshadowed, and both have taken advantage of the increasingly ambivalent attitude of regional leaders towards the US to make further inroads into the economies and security environments of the region. Based on improving bilateral relationships with Moscow and Beijing, plus the expanding forum provided by the Shanghai Cooperation Organization, the Central Asian states view Russia's and China's engagement in the region as less hegemonic than those of a decade earlier. In fact, with time, given its "democratization" agenda, Washington is coming to be viewed as the greater threat to the region's nondemocratic ruling elites.

Although some are reluctant to say so publicly, many of Central Asia's leaders share Russia's and China's displeasure regarding the shift in the focus of the "War on Terror" from Afghanistan to a long-term war of "liberation" in Iraq.

Somewhat ironically, the increased US security presence in Central Asia worked to Russia's advantage. Vladimir Putin has extracted concessions from states in the region that might otherwise not have been granted, such as basing rights for the Russian military in Kant, a long-term

lease for a Russian military base in Tajikistan, and a series of bilateral military accords with Tashkent, which were augmented by Tashkent's reentry into the Russian-dominated CSTO (Collective Security Treaty Organization) in 2006. Much of the enhanced Russian military presence is more show than substance, designed to demonstrate to a Russian domestic audience that Vladimir Putin is successfully reasserting Russian prominence in traditional areas of geopolitical domination, even in the face of US encroachments.

The various bilateral relationships between the Central Asian states and Russia have each had their ups and downs, but Central Asia's officials are often quite eager to promote better bilateral relations with Russia. Partnership with Russia is fine, as long as Moscow does not dictate the terms or demand exclusivity. There also seems to be substantially improved cooperation between the internal security agencies of the countries in the region, an area in which Russia is seen as having an edge.

While this might change when a new generation comes to power, most of Central Asia's ruling elite share more common goals with their Russian counterparts than they do with leaders from most other parts of the world, not to mention a common language. They also all share a sense of annoyance for having been judged as "bad boys" by the United States (and to a lesser degree, by the Europeans).

Russia remains a major arms merchant in the region, given the virtual dependence of all of Central Asia's military on Russian (or, more accurately, Soviet) equipment, and the ease with which spare parts can be obtained and repairs carried out. The Kyrgyzs and Kazakhs cite this as an important reason for continued close military cooperation with Russia. The Uzbeks continue to obtain equipment from the Russians. And now, some of this equipment is being bought with the help of Chinese financing.

Although all of these countries are increasingly reaching out to a global market, Russia's private and state capital is continuing to capture a piece of these markets in ways that are not likely to be ephemeral. Russia is still a major trading partner for all the states of the region, particularly on the import side, and the economies of Kyrgyzstan and Tajikistan, in particular, are still heavily dependent on goods coming from Russia.

Russia has the largest economy in the region, and despite its own incomplete economic reforms, unprecedented high oil prices have added to the already-ample capital available for export. Geography also favors

Moscow's desire to play a major economic role in the region, especially in the energy sectors.

Russian capital is most visible in Kazakhstan and Kyrgyzstan, two states that have pledged to form a common economic space with Russia (a project that at best is moving forward very slowly). But Kyrgyzstan is already a World Trade Organization (WTO) member, and now that Russia has cleared most obstacles for WTO members, and Kazakhstan is rapidly moving toward it, economic ties between the three countries are sure to deepen.

The Kyrgyzs and the Kazakhs have been committed to maintaining close ties to Russia in economic and security relations. From the Kazakh point of view, maintaining good relations with Russia means Moscow should be less likely to take up the plight of the local ethnic Russians, who remain generally dissatisfied with their de facto second-class status in independent Kazakhstan.

Russia is still Kazakhstan's dominant trade partner, and an important source of investment in small and medium-sized enterprises in Kazakhstan, which still lack western investors. Russian economic recovery makes the regional market stronger. Ruble appreciation means that Kazakh products become more competitive at home and in Russia.

In October 2004, Putin got the leaders of four of the states in the region to agree to Russian membership of the Central Asian Cooperation Organization. Moscow's participation can perhaps reinvigorate this almost entirely ineffective organization.

Energy is one of the cornerstones of the new Russian geopolitics, and nowhere has it been used with greater effectiveness than in the Kremlin's relationships with the five Central Asian states. Over the past five years, Russian energy companies have deepened their cooperation with Central Asian partners in oil, gas, and hydroelectric energy. All this is part of a general reassertion of Russian influence in the region, in which economic partnerships are being advanced as part of a broader package security guarantee. For Russia, certainly, these partnerships have real economic benefit as well, and many offer substantial benefit to the Central Asian economies and not infrequently to prominent political figures. These partnerships also reinforce Soviet-era dependencies and create levers that Russia can use to influence domestic developments in these states.

Moscow is seeking a major voice on legal questions concerning the development of offshore Caspian oil and gas reserves, dominance in

Central Asia's gas industry, and control of Central Asian hydroelectric power. They have been far less successful in the first than in the latter two areas. The Kazakhs and Russians have already delineated their national zones, with wide areas of common development, and several joint projects in the Kazakh offshore sector are already being developed by LUKoil, Rosneft, and the Kazakh national oil and gas company, KazMunaiGaz. But the legal status of the Caspian Sea is still being worked out by the five littoral nations (Azerbaijan, Iran, Kazakhstan, Russia, and Turkmenistan).

The biggest challenge for Russia will not be gaining access to Central Asia's gas but being able to afford the necessary improvements to the pipeline system to market it.

Russia is eager to sew up Central Asia's gas in long-term transport contracts. Kazakhstan is likely to be Russia's most dependable gas partner in Central Asia. Kazakhstan's gas exports are fewer than those of Uzbekistan and Turkmenistan, but Kazakhstan could have much more gas to export than was once expected. The full measure of Kazakhstan's undersea gas reserves is not yet known, nor is the quantity of associated gas in the oil projects that will be made available for export. But geography added to a competitive gas market means the Kazakhs are pressed to take a lower purchase price than they would like in order to maximize their transit fees (on Uzbek and Turkmen gas), as well as ensure at least some access to Gazprom's export routes.

The Kazakh and Russian gas industries are working in tandem on these questions of natural gas transit through Kazakhstan, for the Kazakhs are trying to have their gas sent to market ahead of the Turkmen. But there remain many unresolved questions about shipping gas from Kazakhstan for processing in Russia.

Gazprom also signed a cooperation agreement with both Kyrgyzstan and the reorganized Uzbek state gas company, Uzbekneftegaz, the latter a major producer and supplier of energy for the Central Asian region. Gazprom subsidiary, Zarubezhneftegaz, and LUKoil have also committed to a plan that, if completed, would lead to \$2 billion of investment in joint-venture projects in Uzbekistan's oil and gas sector.

Russia's growing partnerships with Central Asia's other gas producers have put Turkmenistan in a difficult position, because they increase Russia's ability to isolate Ashgabat, forcing the Turkmen to surrender more control over the marketing and development of their gas industry to Russia. The Turkmen-Russian relationship remains very

difficult, with a 25-year agreement signed in 2003 lasting just over a year before Ashgabat cut off supplies to get payment terms improved from their part-barter basis. Niiazov's Turkmenistan was a difficult friend for Moscow. Just how difficult is a subject of some speculation, as the complicated cash and barter deals through which Moscow purchased Turkmen gas almost certainly benefited President Niiazov directly or through his family members.

Low purchase prices for Turkmen gas maximize the profit of Gazprom's sales in Europe, as it permits the cheaper and more efficient Turkmen gas to be used in the Russian economy, and the Russian gas to be shipped abroad. The current sales agreement between Russia and Turkmenistan for the sale of gas to Ukraine, negotiated in late 2005, was even more profitable, as it sets up an old Soviet-style ledger-based asset swap, allowing Turkmen reserves to be nominally sold to Ukraine, while in fact they are being used in Russia. And this leaves aside the transit fees that the middleman, in this case the rather mysterious RusUkrEnergo, is collecting. Future gas agreements involving Turkmenistan are likely to be no less convoluted, but seem certain to provide more income for the Turkmen side.

Following Saparmurat Niiazov's death, US and European leaders hoped to convince his successor that Turkmenistan's interests are best served by sending its gas to Europe across the Caspian Sea and bypassing Russia. But Russia's President Vladimir Putin rushed in and got the Turkmen to commit to expand pipeline routes across Kazakhstan into Russia, which increases the likelihood that China will use this route to ship Turkmen gas as well.

The United Energy Systems of Russia (RAO-UES) have also been moving into Central Asia quite aggressively in the past few years. Like Gazprom, RAO-UES would like to use Central Asian energy to serve European markets. Its management has calculated that developing some of the water resources in Kyrgyzstan and Tajikistan would be far more economical than developing hydroelectric power in parts of Siberia, given the presence of the Soviet-era unified electrical grid throughout Central Asia.

RAO-UES has been an actor in northern Kazakhstan since the early 1990s, and in the last few years, they have expanded their role to incorporate large hydroelectric stations in both Kyrgyzstan and Tajikistan, where most of Central Asia's water resources are found, in the case of

Tajikistan in conjunction with Russian aluminum magnate Oleg Deripaska, who has substantial business interests in Tajikistan. The US, too, is interested in Central Asia's hydroelectric reserves, and hopes to induce a US firm (hopefully AES, a Texas company with considerable investment in Tajikistan) to become interested in them, in order to divert electricity to Afghanistan as part of US-sponsored reconstruction efforts there.

Russia's leaders are aware of the geopolitical influence that Russia would gain by controlling Central Asia's hydroelectric power and gas pipeline system. This is obviously their goal, and one for which they are seeking new levers for its achievement.

China: Tomorrow's Superpower

The increased US presence in Central Asia brought Washington's military presence to within a few hundred miles of the Chinese border, and left Beijing feeling that they had to give more thought to protecting their long-term interests in the region. China, which shares borders with Tajikistan, Kazakhstan, and Kyrgyzstan, views the region as one of great potential consequence, having the potential for security problems and for meeting Beijing's growing energy needs.

Everyone recognized that the US military presence in Kyrgyzstan and Uzbekistan was an encroachment on Russia's sphere of influence. Chinese sensibilities were thought to be affected by the opening of the US bases. Thus, there were few concessions that China could gain from Washington, although one that they did get, the designation of the East Turkestan Islamic Movement as an international terrorist organization, was important in Beijing. It had direct consequences in Central Asia, as it led to the outlawing of local Uighur groups.

Beijing has focused on bilateral as well as multilateral initiatives. The US military presence in the region has contributed to the strengthening of the Shanghai Cooperation Organization (SCO), of which all the Central Asian states except Turkmenistan are members, as are both Russia and China.

The SCO's first-ever joint military exercises were held in the summer of 2003. The SCO's Anti-Terrorism Center was opened in January 2004 and formally inaugurated at the SCO head of state meeting held there in June 2004. The Chinese are also pushing hard for bilateral military

cooperation with other SCO states, and in 2005 and 2006, they made real inroads in this regard with the Kyrgyzs, the Kazakhs, and most significantly, with the Uzbeks. As they do not share a border with China, Tashkent sees only positive aspects to bilateral military cooperation with Beijing.

The SCO has not yet fully evolved as an organization, nor is its final membership set. But with Beijing and Moscow both placing real primacy on an organization in which military and intelligence cooperation is a realistic goal, it seems unlikely that other states will be asked to take full membership any time soon. But observer states like Iran may receive a lot of attention, as happened at the 10th-anniversary summit of the SCO in China in June 2006. This attention certainly suited both Russia and China vis-à-vis their concerns about US policy on Iran, but neither country is likely to sacrifice its longer-term strategic advantage in Central Asia by expanding the organization prematurely.

China's size and economic potential make Beijing at least a silent presence in virtually every setting of importance involving the Central Asian states—and sometimes it is a visible and vocal one. Trade with China is increasingly important to all the Central Asian states. Unlike in the first years of independence, it is legal trade and investment that is now being encouraged by the various Central Asian governments. China's economic presence is largest in Kyrgyzstan and Kazakhstan. Kyrgyzstan hopes to be a gateway to China, because they are both members of the WTO and China is a major investor in Kazakhstan's oil industry, as a way to ensure increased access to Caspian oil and gas reserves. The Kazakhs and Chinese are building a new jointly owned 2,900-kilometer oil pipeline to link Kenkiyak in Kazakhstan to Atyrau in China. The prospect of supplying China could create new synergies between the oil industries of both Kazakhstan and Russia. These synergies could also be used by Kazakhstan to parry Chinese pressure in other sectors.

At the same time, China's economic and geopolitical potential is making at least two of the Central Asian states that share borders with it quite nervous. The Tajik-Chinese border is relatively short and of limited strategic importance to the Chinese, but the same cannot be said of China's borders with both Kazakhstan and Kyrgyzstan. The 2002 treaty between Kyrgyzstan and China turned into a major political crisis for President Akaev, with opposition figures accusing him of treason for signing it.

The Kazakhs and the Kyrgyzs understand that there is no way that the fate of their countries can be fully separated from that of China. Yet there is little indication that they have become more nervous about China in the past few years. In fact, the opposite seems to be true. Both countries seem a little more comfortable in their ability to manage this relationship, which they see as sometimes requiring concessions on their part, as was the case with the delineation of borders. But the relationship with China is still more problematic than that with Russia, because China's potential power seems almost limitless, and the needs of its growing population could overwhelm those of the Central Asians. For the near term, however, China's posture toward the Central Asian states seems quite predictable and generally supportive.

The Chinese have contracted to begin moving up to 30 bcm of Turkmen gas annually in 2009 using a pipeline that will go through Kazakhstan, linking up with the existing Bukhara-Tashkent-Almaty pipeline and extending it to the border at Alashankou. The Chinese also are negotiating to have Kazakh gas shipped along this route or through a new pipeline from Ishim in Russia, to Astana, through Karaganda and eventually to Alashankou. It is hard to believe that the Chinese would support both options simultaneously, and Russia will certainly be lobbying hard for the second route to be built first, as most industry analysts do not believe that Turkmenistan will have enough production to support contractual obligations to both Russia and China.

The China National Petroleum Company (CNPC) also signed a \$600 million agreement with Uzbekneftegaz for some 23 smaller oil fields in the Bukhara area. Very little information has been made public about this agreement, but the location of these fields (near the main gas pipeline) suggests that Beijing is hopeful that there will be large amounts of associated gas available from these projects.

China's most important economic partner in Central Asia is Kazakhstan. Cooperation with China allows Kazakhstan new transit options. The Chinese National Petroleum Company (CNPC) owns a controlling interest in Aktobemunaigaz, a production company in western Kazakhstan. But Chinese ambitions vis-à-vis Kazakhstan extend much further. In 2003, the China National Offshore Oil Corporation (CNOOC) and China Petroleum and Chemical Corporation (Sinopec) made a bid to buy British Gas' share of Kazakhstan's massive offshore Kashagan deposit, a bid that was blocked by the consortia partners, who in the end

were forced to allow Kazakhstan's own national company (KazMunaiGaz) to acquire half the BG stake, and absorbed the other half themselves. CNPC did manage to acquire the small North Buzachi field, and then finally in 2005, CNPC purchased the assets of PetraKazakhstan, giving them the assets from the Kumkol field and shared control of the Shymkent refinery (with KazMunaiGaz). The Chinese have made a major financial commitment to securing oil from Kazakhstan, paying over \$4 billion for PetraKazakhstan, and planning a pipeline that will run from Atyrau through Kenkiiak, on to Kumkol, Atasu, and then to Alashankou on the Kazakh-Chinese border. By late 2005, two stretches were already operational.

China's rise need not be at Russia's expense, but might well contribute to the mutual advantage of Moscow, Astana, and Beijing. Should Russia move forward with plans to construct a new pipeline to link Western Siberian oil with China, there may well be extra capacity for Kazakhstani oil to move north to add supply to this route as well.

China, too, is an interested client for surplus electric power. The Russians are also interested in supplying this market, as are the Kazakhs, who are planning a joint project with China to develop a \$4 billion coal-fired power plant at Ekibastuz, near the Russian-Chinese border. Kyrgyzstan also is interested in selling hydroelectric power to China (which seems more interested in developing its own hydroelectric power than in buying foreign-produced electricity). And in both the Kazakh and Kyrgyz cases, the hope is that such purchases might make China less aggressive about diverting upstream water that traditionally flowed into Central Asia. Tajikistan, too, is attracted by the Chinese market, and even more so by the prospects of exporting surplus energy to Afghanistan, and then on to the large markets of India and Pakistan. The latter route is particularly interesting to US authorities. It would have a developmental impact in Afghanistan and would lead Tajikistan to diversify its resource ownership base beyond Russia.

Central Asia's Role in the Broader International Community

The "great powers" may have spent the last few years jockeying for a position in Central Asia, but so too have a number of other international actors—regional powers like Turkey and Iran, and global actors like the

remaining G8 nations—each of whom has played a smaller role than the three countries discussed here.

India has been the one player largely absent from the region, despite the best efforts of all five Central Asian countries to lure it in, and Indian leaders did not participate in the Asia-focused security summit held under a Kazakh initiative in June 2006. Indian leaders have shown increased interest in securing access to Central Asia's energy reserves, but their efforts are likely to be too little, too late, to acquire a dominant position. Japan was initially very active in Kyrgyzstan, Singapore, in Kazakhstan, and Korea, in Uzbekistan, but none of the three had interest in expanding or consolidating its position. Of the international financial institutions, the ADB has the most active agenda in the region, and the Asian countries make their influence felt through their contributions to it.

Turkey and Iran are both very active in Central Asia, but neither power has been able to exert a decisive influence over the economic, political, or security dimension of any of the Central Asian states. The one possible exception is Iran and Tajikistan, as these two Persian-speaking countries do maintain close cultural and economic ties, despite the secular orientation of the Imomali Rahkmonov regime, and the Sunni rather than Shiia background of the Tajik population. Iran, too, is interested in investing in Tajikistan's hydroelectric power, as Teheran has its own interest in expanding into South Asia's hydroelectric market. Iran, with a contiguous land border with Turkmenistan, could play a greater role in the region if its international position were rehabilitated. Turkey enjoys very good ties with all of the Central Asian states, and the Baku-Tbilisi-Ceyhan and Erzurum pipelines are likely to enhance Turkey's role in the European energy market. Istanbul is also the jumping-off point for much international travel and business to the region, but the idea of Turkey leading a formal or informal community of Turkic states has faded from most Central Asian leaders' (and Turkish leaders') consciousness.

The European states, especially those that distrust Russia's dominant position in their energy market, have expressed great interest in helping secure the independence of the Central Asian states. This is also a concern of Japanese leaders. The Europeans have sought to do this via the EU's European Neighborhood program. But although two of the three presidents in the EU troika have made Central Asia a particular focus of their presidencies, there is little new thinking and no new resources being brought to bear to solve the region's problems.

For all the talk of great games, the risk of global terrorism, and the “strategic importance” of this region, from the viewpoint of the key international players, the Central Asian region is divided into states that have no pressing need for help—Kazakhstan, Kyrgyzstan, and Tajikistan—and those that are difficult to engage—Uzbekistan and Turkmenistan. The unstated priority of all is to try and secure access to the region’s energy resources for their national companies, and to hope against hope that the area will remain stable enough to see them fully exploited.