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Central Asia and the South Caucasus:

Reorientations, Internal Transitions, and Strategic Dynamics

Conference Report

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The views expressed are those of individuals and do not represent official US intelligence or policy positions. The National Intelligence Council routinely sponsors such unclassified conferences with outside experts to gain knowledge and insight to sharpen the level of debate on critical issues.

Additional copies of this conference report can be obtained from the office of the National Intelligence Officer for Russia and Eurasia, which can be reached at (703) 482-6297.

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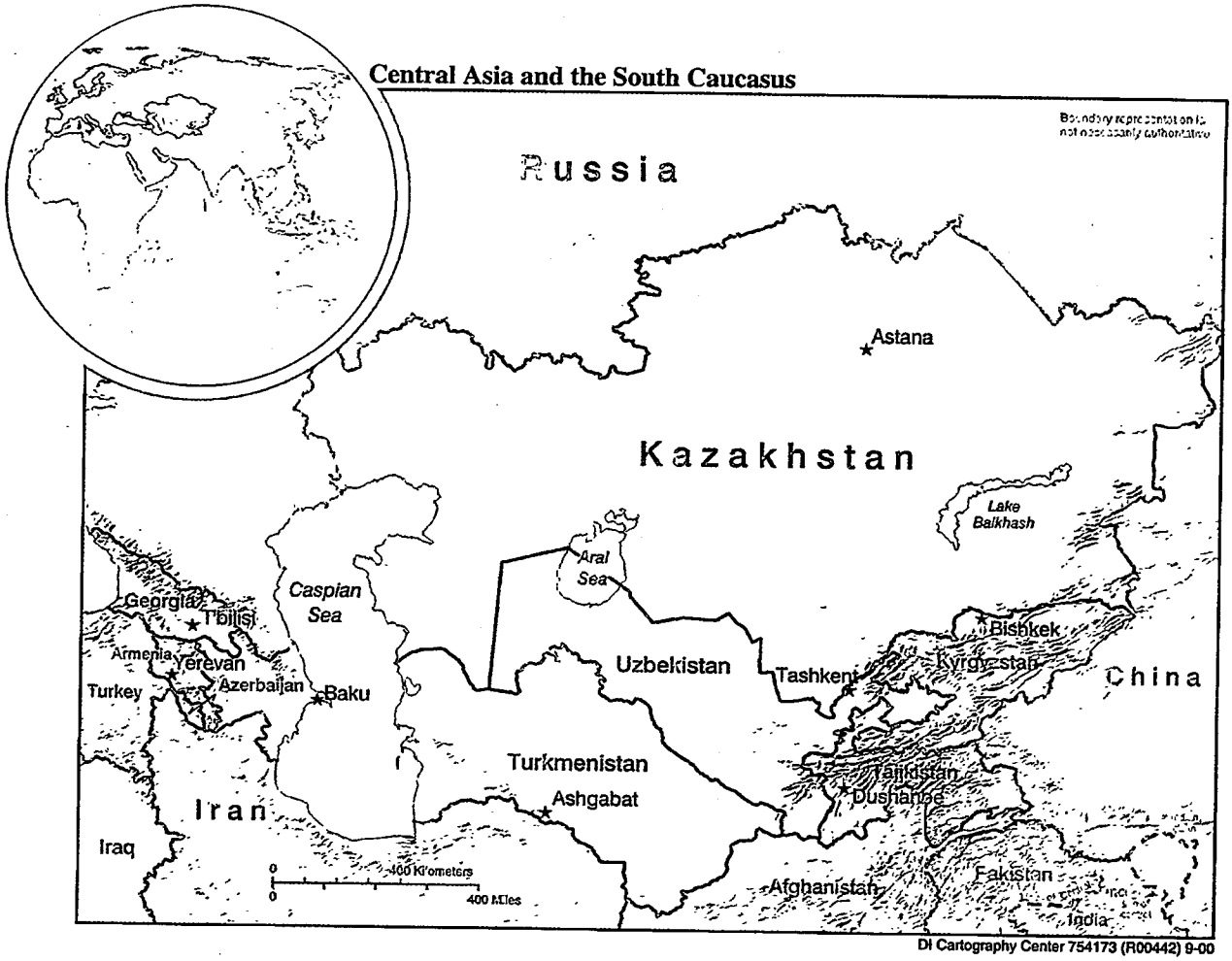

Central Asia and the South Caucasus: Reorientations, Internal Transitions, and Strategic Dynamics—Conference Report

Executive Summary

In April 2000, the National Intelligence Council sponsored a conference that examined the strategic dynamics of the Central Asian countries of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan, and the South Caucasus countries of Armenia, Azerbaijan, and Georgia. The conference brought together approximately 100 government and outside experts, including officials and scholars from the countries concerned. It consisted of six panels with presentations from more than 30 academic and regional experts, followed by question-and-answer sessions. The purpose of the conference was not to arrive at a consensus but to deepen understanding of the region. **The views expressed are those of the individual participants and do not represent in any way official US intelligence or policy positions.**

Keynote presenter Gen. Anthony Zinni focused on the 10 key challenges facing Central Asia, which ranged from creating a national identity and reconciling the role of Islam in society to coping with political, economic, and military reform. Dr. James Schlesinger made a lunch presentation that cast doubt on the realization of the Baku-Ceyhan pipeline project, given the trade-off between means and ends.

Participants and panelists made a number of salient points during the conference that should be considered by those who analyze developments in the South Caucasus and Central Asia. These observations and judgments, however, do not necessarily represent the views of the conference participants as a whole.

Outside Influences and Relationships

- Central Asia and the South Caucasus are important because their orientation will greatly affect the power and national security planning of large neighboring or interested states (principally, the United States, Russia, China, Iran, Turkey, India, and Pakistan). How these states and others think and act strategically in Central Asia and the South Caucasus will influence geopolitical alignments in the region. It is also important to grasp how these states, and others whose interest is acute though less direct (for example, Israel, Japan, South Korea, some Gulf Arab states), factor Central Asia and the South Caucasus into their strategic thinking.

- Conversely, the states of Central Asia and the South Caucasus are increasingly dealing with countries other than those we tend to see as having the most direct interest and natural advantages—Russia, Iran, and Turkey. The states of Central Asia and the South Caucasus are looking to a

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number of other states—for example, India, Pakistan, Israel, China, South Korea and Japan—for new trade possibilities and security arrangements. All of these states are increasingly active in both Central Asia and the South Caucasus.

- Strategic dynamics now cascade across geographic regions. Developments in one region can have extensive direct, and second- and third-order consequences in other regions. Analysts must broaden their focus and not view the region as a traditionally defined set of states. Central Asia and the South Caucasus are a strategic crossroads. They must be understood and analyzed in the larger Eurasian/Asian context if analysts are to capture all of the cross-regional dynamics that shape these two regions as well as the broader geopolitical landscape around them.

- Iran is potentially the most influential near-term variable. If a normalization of US-Iranian relations takes place, the entire regional picture would change dramatically by changing the strategic calculations of all the regional actors and the major external actors in the two region.

- Russia's policy will not necessarily be more coherent or benign under President Putin. Russia probably will continue to be weak but remain relatively stronger than its neighbors and possess more leverage than other actors in the Central Asian and South Caucasus regions. Several panelists suggested considering the implications for Central Asia and the South Caucasus of a Russia in which power is significantly devolved to its borderlands, or that is even fragmented politically.

- So long as Afghanistan remains in chaos, which it probably will for a fairly long time, it will be a principal contributor to the most worrisome threats facing Central Asia: the conjunction of narcotrafficking and militant Islam, terrorism, and political instability.

Need for Clarification and Differentiation

- Western policy has been, to a large extent, uniform with respect to the states of the former Soviet Union: encourage political and economic reform, minimize their dependence on regional powers, and encourage intraregional cooperation—all with an eye to creating an independent, generally Western-oriented, belt of stability. A number of conference speakers argued that this policy may be too general and too optimistic because the political interests, economic conditions, and security concerns of these states are diverse and changing. Their destinies conceivably could differ substantially as well, as their interests pull them in different directions.

- Regarding the internal developments of the Central Asian and South Caucasus states, one participant observed that analysts have had to adjust expectations on the pace and manner in which these states will move toward democracy and a market economy. These two regions face a very unsteady movement at best and great disillusionment with both democracy and markets because of widespread economic hardships.

- A student of Nongovernmental Organizations (NGOs) noted that the Western tendency to focus on the work of capital-based, English-speaking NGOs leads to misperceptions of civil society in these regions, because these NGOs are in touch with only a small part of the population. The Western models for civil society overlook the importance of clan structures, which are small but extremely influential in these new states. Western-style NGOs also neglect large segments of the population, such as industrial workers, farmers, and pensioners, who need to be brought into the political system.

Social Cost of Transition

- A panel of young scholars with recent experience conducting research in the field gave many illustrations of the socially debilitating and politically destabilizing impact of economic hardship. For example, one researcher noted how traders use children as collateral to be left behind until they return with the promised goods or money. Others argued that pervasive poverty is eroding traditional social and communication networks.

- The long-term implications of a generation growing up in poverty, lacking basic education, and increasingly enmeshed in semicriminalized societies are disturbing and run directly counter to Western goals for the regions.

Uncertain Outlook

- Several participants and panelists noted the uncertain commitment to political pluralism and market reform of the probable next generation of leaders in these countries. Other panelists noted that political strongmen will continue to hold sway for some time.

- Participants from the regions warned that democracy and civil societies must develop within the existing cultural context, not as some kind of unnatural foreign imposition.

- Some participants questioned the long-term viability of Central Asia's current borders, noting that many borders could be redrawn over time.

This conference report consists of the precis of each speaker's on-the-record presentation, which were provided by the speakers, and a summary of the

ensuing not-for-attribution discussions. The report is intended to capture the salient points and original arguments of the proceedings. During the panel discussions no attempt was made to ascertain the general view of the panel or audience. Many of the points highlighted in these summaries of the panel discussions were noted because they were thought provoking or outside of conventional wisdom. They illustrate the richness of the discussion, but they do necessarily reflect accepted or prevailing views at the conference.

Contents

Opening Remarks

George Kolt,
NIO for Russia and Eurasia, National Intelligence Council

American engagement with Central Asia and the South Caucasus as regions in their own right began only a few years ago. Not surprisingly, there is much we still have to learn. This conference attempts to gain a new and deeper understanding of changes in the political, economic, and strategic orientations of each of the states of Central Asia and the South Caucasus and to explore how these states fit into the larger regional context. The panels were designed to examine the character and extent of these states' internal transitions, and the effects of these transitions on international orientation; explore how and in what directions the states of Central Asia and the South Caucasus could be reorientating both within the region and beyond; and assess the new strategic dynamics that are unfolding throughout Eurasia.

In the past we became accustomed to thinking about Central Asia and the South Caucasus through the prism of Russia. Today, Russia's shadow looms large in both regions but most states have moved in new directions. This conference seeks to move beyond the traditional Russia-centric filter, but is not intended to be anti-Russian in focus. Russia will continue to have a role to play but it will be one among many actors in these regions. Essentially, we do want to explore each of these countries and regions in their own right as well as the connections between them but without equating the two regions.

Presentations are on-the-record and will be included in a conference report. Discussions are not for attribution, thus speakers will be identified only as discussants, panelists, commentators, and so forth. The views expressed by participants and panelists are strictly their own and not necessarily the views of the NIC or the United States Government.

Keynote Address

A US Strategic Perspective on Central Asia

Gen. Anthony Zinni; *Commander in Chief, United States Central Command*

US Central Command (CENTCOM) is a newcomer to Central Asia. After the demise of the Soviet Union, several of the military commands sought to bring Central Asia into their area of responsibility. Long deliberations ensued over whether to include the region in the European Command or in the Atlantic Command, both of which lobbied to take over responsibility for the region. CENTCOM, which is largely focused on activities in the Middle East and the Persian Gulf, did not seek out new responsibilities, but the Department of Defense finally decided to grant CENTCOM responsibility for the five Central Asian states in October 1998.

My initial impressions were that the new states in Central Asia are "fragile" but that the region is important as a crossroads for great powers. There are 10 key challenges that must be addressed by the governments in the region.

Fundamentalism and the Role of Islam in Society
The governments must reconcile the role of Islam in society to counter the new fundamentalism emanating from Afghanistan and Pakistan and to mitigate the effects of the turmoil in the North Caucasus. This "new *jihadism*" that consists of disparate, radical groups coordinating their activities from Afghanistan and Pakistan poses the most urgent threat to stability in Central Asia.

Military Reform
The Central Asian states have inherited Soviet military capabilities—for example, heavy motorized vehicles—that were designed to fight the United States and the West. These systems are not compatible with the security problems that these states face today; the most immediate security concerns are border security, internal security, and narcotrafficking. To counter these threats effectively, the governments in the region need to restructure and re-equip their militaries with light, highly mobile units that can operate in mountainous terrain. This reengineering process will require support in the areas of education, training, and leadership development.

Power Plays in the Region
These fragile states are pulled in all directions by China, Russia, the West, Iran, Pakistan, Turkey, and other actors with an interest in the region. Each actor is driven by a different combination of interests—economic, political, strategic, cultural, religious, or social. Energy pipelines represent an

example of the external dynamics that will fundamentally shape Central Asia and the South Caucasus. Which direction will the pipeline go—north, east, south, or west? All the surrounding states seek to secure a stake in Central Asia's energy riches.

Regional Identity
These states do not view themselves through the same prism that we do. We think of them as the "stans," which are part of a discrete region that is defined by various regional organizations, such as GUUAM (Georgia, Ukraine, Uzbekistan, Azerbaijan, and Moldova) and CIS (Commonwealth of Independent States). It is clear that each country has its own view of the security threats in the region. If security cooperation is to be successful, it cannot be imposed by external actors but rather worked out together by the external actors and the individual states in the region.

Economic Development
The initial euphoria about the energy riches in the region has led to high expectations. Until now, those high expectations have only led to disappointment in the region.

Soviet Legacy
The new states in the region struggle with a love-hate relationship with their Soviet legacy. They seek to discard their Soviet identity, but would like to retain the social protection that the Soviet system provided. Artifacts, such as national borders that poorly correspond to ethnic groups, impede the development of new national identities.

Search for Identity
Each ethnic group is searching for its own identity after years of suppression. Given the constraints within which they must operate, ethnic groups are striving to reestablish themselves. The ethnicity map is a recipe for trouble for the governments in the region as this search for identity unfolds.

Speed of Democratization
The United States is committed to democratization in the region, but there are substantial obstacles.

Environment
The region suffers from the horrific environmental legacy of the Soviet Union. The Department of Defense (DoD) is focusing on water-related problems in the region. Water, not energy, probably will be the cause of a conflict in the region within five years.

Corruption, Crime, and Drugs

Drug trafficking is tied inextricably to Islamic extremism. Afghanistan, as a leading producer of opium, is a source of revenue for extremists in Afghanistan and Pakistan. Corruption—drug- and non-drug-related—continues to plague all the governments across the region.

The United States must pay attention to this region because of its centrality in Asia and its strategic importance. This region will continue to be an area of great power competition. The challenge for the United States is to understand the threats and interests in Central Asia and assimilate them in a way that will intersect with US objectives.

Panel I
Challenges to State-Building: Internal Fault Lines and Impediments

This panel examined the internal conditions and challenges that the governments across the region face as they modernize their political and economic institutions. The panel also explored how the history of these countries is shaping their future direction and what might be expected of the new generation of leaders who will inevitably be taking control during the next decade.

Chairman: S. Enders Wimbush
Hicks & Associates, Inc.

Modernizing State Institutions in Central Asia and the South Caucasus

Gregory Gleason
University of New Mexico

In all of the states of Central Asia and the South Caucasus, the public sector has undergone significant redefinition since national independence. How capable are the new states of the region at promoting their national interests as they approach the close of the first decade of national independence? Have the states accommodated international standards of good governance and best practice? To what extent have the public institutions of these societies redesigned themselves so as to accommodate the emerging challenges of the 21st century? What necessary domestic institutional changes have been avoided or postponed in this first decade, and what do these facts imply? Finally, what are the dynamics at work and the boundary conditions at play in public sector redesign in this part of the world? How can outside actors influence these?

Central Asia and the South Caucasus are political concepts that refer to clusters of countries tied together by interdependencies resulting from political, economic, transport infrastructure, market linkages, and cultural factors. Central Asia includes Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan, and the South Caucasus includes Armenia, Azerbaijan, and Georgia. A survey of the region reveals some strong common tendencies:

- Soviet-era political leadership remains in place in most countries.
- The public sector continues to dominate the private sector.
- Social inequality has grown substantially in all countries.
- Violence and lawlessness have grown substantially within the societies.
- Gray area transnational violence (terrorism and extremism) is growing.
- Regional interstate tensions are increasing.
- Environmental problems (water and air quality, industrial pollution) have not been addressed in any significant measure during the past decade.
- Narcobusiness is growing.

It should also be noted:

- There are no interstate wars in the two regions.
- There has been no revolutionary upheaval after the fall of communism.
- Macroeconomic policies in most countries are standard or acceptable.
- Many of the countries report nearly balanced budgets.

To what extent has reform of the public sector and the transition of the state been accomplished and contributed to any of these outcomes?

There is a fundamental paradox in the role of the state in a globalizing society: A state that is powerful enough to control the instruments and mechanisms of public affairs is also powerful enough to abuse those instruments and mechanisms. In an effort to discourage abuse by the state, many critics of the modern state argue for a public sector that is reduced in size and scope. They also argue that increased economic efficiency is correlated with decentralization, local control, and local responsiveness. The debate regarding the size and scope of the "post-Communist state" centers around the fact that the state is both the "broker" and the principal actor in the process of post-Communist destratification.

In terms of comparative political theory, the role of the state has undergone substantial reconsideration in recent decades. Forty years ago, many Keynesian economists and public managers regarded the state as the "engine" of development. This view, in conjunction with the failure of markets to provide public goods and services, to effectively regulate the use of public utilities and natural monopolies, and to provide protection for common resources such as fisheries, forests, and rivers, provided a rationale for "strong states" that would be capable of stimulating growth or intervening in markets to protect the public interest.

In some cases increased state intervention in markets led to effective, and publicly oriented policies, but in many cases governments embarked on ill-conceived, grandiose, and fanciful, schemes that led to overextension of the public sector while squandering public resources. Failures of government often led to redoubled efforts through coercion to bring about the desired outcomes. The fusion of government and politics led to easy opportunities for corruption and conflicts of interest.

In a globalized world (that is, post-1990), the preferred model of the effective state is moving away from the role of the state as producer and provider of a wide range of goods and services to a more circumscribed role as information manager. This role emphasizes the provision of core public goods and the facilitation and regulation of the production of private services and goods, toll goods, and common pool resources.

In societies where corruption, bribery, and abuse of public office are commonplace, the reduction in the arena of control of the state may be justified. But at the same time, disestablishing the state can be expected first of all to lead to detrimental effects on the least powerful and least advantaged sectors of the society. Those closest to the state are apt to circumvent the effects of reduced size and influence, transferring the costs of downsizing or functional redesign to those less politically influential. Thus, in Central Asia, reduction in the size of the public sector is not by itself a formula for establishing a more equitable, more competent, less avaricious public sector.

There are a variety of approaches to measuring the public sector vis-a-vis the private sector. The most common are: 1) GDP comparisons; 2) work force comparison; 3) analysis of the government regulatory "footprint"; and 4) public spending ratios. Using these measures, the public sectors in the Central Asian and South Caucasus states illustrate transformations not unlike those of the modern states in other parts of the non-Communist world. "Post-Communist transition" may not be significantly different from the globalization processes we are witnessing in many parts of the world.

Legacies of the Past and New Directions in Leadership: South Caucasus

Audrey L. Altstadt
University of Massachusetts-Amherst

History

History always matters, whether or not individuals are aware of it. Finding the relevant legacies requires looking deeper into the past than one gets with a mere "outline" or "background." Furthermore, "history" is constructed on the basis of particular questions and selected documents. Myths and memories may also play a part. Thus the "use" of history is neither simple nor straightforward. Sometimes knowing a people's beliefs about the past is more informative in understanding today's motives than in knowing all the details of documented and verifiable history.

In the Caucasus, history, even including remote history, which is difficult to verify, has an immediacy that surprises most Americans. Present-day territorial claims and visions of sovereignty can be shaped by beliefs about events as far back as the sixth or second centuries.

One powerful short-term legacy is that of Russian rule under both tsars and commissars. Russian rule influenced not only cultural features of the Caucasus such as the use of Russian language and the types of schools, but also determined today's borders (aside from the de facto change in the Karabakh region), much of the economic division of labor, and the basic political culture. On the last issue, an authoritarian mentality of control is an enduring feature, both inside and outside governing circles.

Each republic, of course, has its own legacies that are shaped by its native culture, including religion, language, and its history prior to the Russian conquest early in the 19th century. On that basis, each was treated differently under Russian and especially Soviet rule; each today has its own configuration of "friends" and "enemies."

Salient legacies on which democracy and the rule of law can be constructed are profoundly lacking. These include Western traditions seen in the Enlightenment (though rooted more deeply in Western history) of individualism and the belief in the ability of human beings to think and learn rationally, and respect for the rule of law and legality. Whether these can be "imported" is an important and fundamental question for all former Soviet regions.

The New Generation of Leaders

The new generation of leaders in each republic is, of course, shaped by both native culture and beliefs about history, and by the Russian-Soviet legacies. They are also, however, affected by the changing situation of the late Soviet era and the first decade of independence, which thrust these republics into greater regional and global interaction.

The oldest "new" generation includes those leaders who led anti-Soviet or pro-independence reform movements in the Gorbachev era. They were generally people in their 30s in the late 1980s who are now in their 40s. One way to view this younger generation is to determine whether they were "insiders" or "outsiders" with respect to the old system. "Insiders" were not merely party members but those who made themselves successful within the party and old state structure. These people tend to behave like authoritarian Soviet-era leaders. Some "outsiders," however, are prone also to use strong-arm tactics and intimidation perhaps because this was the only political culture they knew—people with power act like people with power. They have not yet entirely integrated their democratic ideas with their personal actions.

The political leaders now in their 30s are even further removed from the Soviet political culture. Consequently, their direction is harder to predict. Some political figures in their 30s exhibit an authoritarian streak, and societal instability seems to reinforce this. Yet the age group is quite mixed, and each individual must be examined separately.

Directions

The directions they may take the Caucasian states are rooted firmly in their own attitudinal and behavioral tendencies, but will most likely be responsive or "reactive." It would be hard for a new generation to initiate innovative policy; it will be forced simply to react to domestic and regional (as well as broader international) pressures.

It would be hard to imagine, to take one example, a scenario in which Armenia came to regard Russia as an enemy or in which Azerbaijan became hostile to Turkey. A warmer Armenian response to cautious initiatives by Turkey (which have already taken place), however, could open the door to improved Armenian-Turkish political and even commercial relations. Armenia would clearly benefit from this, as would other states of the region. It would, however, disrupt the current balances of political influence in the region to Russia's (and Iran's) detriment. Russia might respond aggressively (likely under any ruler, but perhaps more so under Putin) to keep the region from moving too far away from Russian influence. Russia remains a check on such significant realignments of any one state in the region or of all three.

Subtle internal moves could be more effective: market reform, tax reform, and privatization as one "package," and greater political pluralism, institution of the rule of law (and an independent judiciary), and safeguarding of civil rights as a second "package." These packages would slowly "restructure" the Caucasian states individually and move them, de facto, further from Russian influence. Most younger leaders seem inclined to move in this direction but could be derailed by unrest that seems to require authoritarian measures.

Dynamics of Succession

The dynamics of succession have been and are likely to remain stormy. Armenia has had several elections with varying degrees of falsification and coercion. The events of last October show that violence can lurk just beneath the surface. Several parties contend for dominance.

Azerbaijan and Georgia present especially thorny cases because in each, an authoritarian "grand old man" of Soviet and national politics will, within the decade and perhaps in the next year or two, be ending his rule. Each controls a single dominant political party as others strive to gain strength. The instabilities and unrest in each republic in the past show that the loss of the "strongman" can plunge a republic into chaos. A Russian role in such a transition cannot be ruled out. This political puzzle, more even than oil and gas production and pipelines, should be a focal point of analysis of this region.

Legacies of the Past and New Directions in Leadership in Central Asia

Martha Brill Olcott
Carnegie Endowment for International Peace

In many ways the Central Asian states are frozen in time. In every state but Tajikistan, the old Soviet-era *nomenklatura* is still in control. This is the sense in which history counts the most—those who were on top at the time of the collapse of Soviet rule intend to stay on top.

This history of the past is being rewritten to make this more possible. In Uzbekistan, Timur the Lame has become the central historical figure, helping to justify Islam Karimov's strong rule. In Kazakhstan, the role of the Great Horde is being emphasized, as this is the group that long dominated the Communist Party. Turkmenistan is creating a synthetic blend of medieval Central Asian and modern Turkish history around the person of Niyazov. The Kyrgyz trumpet the democratic nature of nomadic society.

With the exception of Kyrgyzstan, none of these models provides any basis for transfer of authority from leader to leader or generation to generation. The Kyrgyz model facilitated it, which is one reason why the Kyrgyz seem to have abandoned it. President Akayev sees that his position is threatened by these democratic principles.

In general, the authoritarian and semiauthoritarian nature of political rule in the region has led these societies to be more static than in some of the other Newly Independent States. One of the serious consequences of heavyhanded politics is that a class of independent entrepreneurs has been slow to develop. This is especially true in Turkmenistan and Uzbekistan, where there has been great resistance to radical economic reform. The lack of an economic elite with an independent power base creates pent-up demand in each of these countries and makes it difficult to predict how the inevitable succession struggles will unfold. This makes it very difficult to predict who will come to power, when, and how.

None of the region's leaders are likely to give up power willingly. Yet each country will become vulnerable to interelite struggles as he physically weakens. Tajikistan has already experienced one such struggle, which resulted in a lengthy civil war. The elite structure in Uzbekistan is still complex enough, even after more than a decade of Karimov's rule, to permit serious behind-the-scenes power struggles. The process of coalition-building could lead to the empowerment of a radical alternative elite.

Kazakhstan also has a highly complex pattern of elite relations. There is less a risk of upheaval here, in part because the country is further along in its economic transformation. The size of the country and the tradition of relative isolation of regional (and sector-specific) elites makes it unlikely that there would ever be a coup against President Nazarbayev. Should he try

Country Data

		1994	1995	1996	1997	1998	1999[a]
Armenia							
GDP	Percent growth	5.4	6.9	5.8	3.0	7.2	4.9
Industrial output	Percent growth	-10.3	5.3	1.5	1.2	0.9	-2.5
Average annual inflation	Percent	5,273.4	176.9	18.8	13.8	8.7	3.1
Exchange rate, end-year	Dram per US $	405.5	402.0	435.1	495.0	522.0	548.6
Consolidated budget balance	Percent of GDP	-16.9	-8.9	-8.6	-5.9	-5.9	-6.1
Current account balance	Percent of GDP	-16.0	-17.4	-18.2	-18.8	-20.7	-20.4
Georgia							
GDP	Percent growth	-10.4	2.6	8.6	11.3	2.9	2.4
Industrial output	Percent growth	-39.7	-9.8	7.7	8.1	-2.7	1.9
Average annual inflation	Percent	15,605.5	162.7	39.4	7.1	3.6	20.1
Exchange rate, end-year	Lari per US $	1.4	1.2	1.3	1.3	1.8	1.9
Consolidated budget balance	Percent of GDP	-16.5	-4.7	-5.2	-3.5	-3.6	-4.1
Current account balance	Percent of GDP	-20.9	-12.7	-7.0	-10.1	-11.0	-7.2
Azerbaijan							
GDP	Percent growth	-19.7	-11.8	1.3	5.8	10.0	6.5
Industrial output	Percent growth	-24.8	-21.4	-6.7	0.3	2.2	4.1
Average annual inflation	Percent	1,663.5	411.8	19.9	3.7	-0.8	-5.9
Exchange rate, end-year	Manat per US $	4,182	4,440	4,098	3,888	3,890	4,410
Consolidated budget balance	Percent of GDP	-10.3	-5.2	-2.9	-2.6	-2.0	-4.5
Current account balance	Percent of GDP	-6.5	-16.6	-29.3	-23.8	-33.1	-34.5

[a] Projected.

to pass power to the younger generation, however, the "heir" would most likely face a considerable challenge in consolidating power. It is still too early to know how pro-Western or pro-Russian (or pro-Chinese) the next generation of Kazakh leaders will be. Much depends upon the success of economic reform and the speed with which Kazakhstan develops its natural resources.

The pattern of elite relations is less complex in Kyrgyzstan and seemingly so in Turkmenistan as well. In both cases, the ruling family seems to be successfully consolidating economic control, but is doing so in different ways. The different economic patterns in the two states make it difficult to generalize across the two. In a decade or so the Kyrgyz ruling family may decide that conditions in Kyrgyzstan are so bleak that it prefers to move its assets abroad, rather than risk a difficult succession struggle. The "prize" in Turkmenistan is definitely worth the struggle. The shape of the struggle, though, is more difficult to predict as traditional Turkmen society is relatively opaque to the outside observer.

Economic Change and Modernization: South Caucasus

Ben Slay
PlanEcon, Inc.

Despite some common legacies in terms of history, geography, and Soviet rule, the economies of the South Caucasus present as many contrasts as commonalties.

Commonalties

First, the region is at low levels of economic development. When measured at market exchange rates in 1998, Georgia had the highest level of per capita

income at $900, followed by Azerbaijan at $540, and Armenia at $500.[1] When measured via purchasing power parity (ppp) exchange rates, 1998 per capita income was greatest in Armenia ($2,700), followed by Georgia and Azerbaijan ($1,900).

Second, all three countries went through a transition shock during the early 1990s, when steep declines in output and high inflation rates were recorded. The output shock reflected a number of factors, including: (1) disruptions in economic activity that accompanied the dissolution of the USSR; (2) inflationary consequences of price liberalization in the context of the ruble zone; (3) weaknesses of nascent economic policy institutions; and (4) military conflicts over Nagorno-Karabakh, Abkhazia, and South Ossetia. The introduction of national currencies in 1993-1994, and the conclusion of agreements with the International Monetary Fund (IMF) and World Bank allowed these countries to sharply reduce inflation rates. But despite the rapid growth recorded by Georgia in 1996-1997 and by Armenia and Azerbaijan in 1998-1999, living standards for much of the population in all three countries probably remain well below pre-1992 levels.

Third, Russia remains all three countries' most important economic partner. In 1998, Georgia's exports to other members of the Commonwealth of Independent States (CIS) was 54 percent, for Azerbaijan this ratio was 38 percent, and for Armenia 37 percent. Azerbaijan had the highest import share (38 percent), followed by Georgia (35 percent), and Armenia (25 percent). When compared with data from 1992, these shares reflect a sharp fall from 80 to 100 percent of both exports and imports.

Differences

Perhaps the largest difference among these three countries lies in the fact that Azerbaijan is endowed with significant hydrocarbon resources while Georgia and Armenia are not. Although much of its potential remains unexploited, Azerbaijan's oil sector accounts for more than 50 percent of industrial production and 10 percent of Gross Domestic Product (GDP). Oil-related investment, trade, and service activities account for additional large contributions to GDP. The approximately $1 billion in foreign investment that Azerbaijan is now attracting annually translates into 33 percent of 1998 GDP. On the other hand, the Azerbaijani economy is potentially quite vulnerable to swings in world energy prices.

By contrast, the nonhydrocarbon economies rely more extensively on agriculture and the service sector. In Armenia, agriculture produces about 40 percent of GDP. In Georgia, agriculture accounts for 26 percent of GDP, and industry and trade account for 12 percent each. Armenia and Georgia are also quintessential small open economies with large current account deficits that are financed by transfers and concessional lending from abroad.

Economic trends during 1998-1999 are a third major difference. Azerbaijan and Armenia were the only two CIS countries to report strong GDP growth in 1998 and 1999. Oil production and oil-related construction projects picked up in Azerbaijan, while a bumper crop in Armenia boosted the all-important agricultural sector. Georgia's GDP growth decelerated sharply from 11 percent in 1997 to 3 percent in 1998, and to about 2 percent last year.

[1] All data in this paper come from the relevant countries' statistical offices and national banks, as well as from the IMF, World Bank, Tacis, and other multilateral agencies.

Economic Change and Modernization: Central Asia

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As one examines the post-Soviet economies of Central Asia, most exhibit the following characteristics:

- Ossification of the ruling regimes.
- "Primitivization" of the economy.
- Overreliance upon natural resources as the main source of economic growth.
- A lack of rational improvements in the industrial structure.

- The incapacity of domestic investments in the industrial structure.
- The increasing limitations on the ability to attract foreign investment.
- The worsening of the balance of payments.
- The growth of foreign indebtedness.
- Incompleteness of reform in the agrarian sector.
- The use of agriculture as a "donor" to support other sectors of the economy.
- An excessive reliance upon import-substitution—which is by no means always justified.

All these negative dynamics threaten to doom the economies of Central Asia to protracted stagnation, at least in the foreseeable future.

In assessing the current state of affairs in these countries, it is essential to acknowledge the paucity and unreliability of much of the statistical information emanating from the region. Particularly important is the lack of accurate data about the scale of the shadow economy, which some experts estimate to be as high as 40 percent of the GDP. Much is also written about the enormous magnitude of the drug business; in the apt phrase of some, the medieval "silk route" has turned into the "narcoroute." Despite the importance of illicit activities, it is impossible to determine the actual scale of production and trafficking.

During the 1990s, the countries of post–Soviet Central Asia have had to traverse a tortuous, twisted path—one that has led them for a euphoria of unbounded hopes to a mood of profound despair and disenchantment. The exhilaration that accompanied the sudden (and unexpected) realization of independence at the start of the decade has given way to intense public frustration and a pervasive economic crisis. From 1991 to 1998, the level of economic activity plunged catastrophically—by 39 percent in Kazakhstan and Kyrgyzstan, 45 percent in Turkmenistan, and 66 percent in Tajikistan. The exception to this pattern was Uzbekistan, where GDP decreased by less than 10 percent during this period. Although that country exhibited some signs of modest economic growth (at least according to official statistics) those gains are highly misleading: Uzbekistan has actually been rebuilding the Soviet economic model, a policy that will most likely lead only to stagnation and perhaps even a crash.

This economic crisis has been unfolding against a background of continuous demographic growth. The impoverishment of the broader population in the region has reached truly menacing proportions; the gulf between the fragile stratum of super-rich ruling elite and the majority living below the poverty line has reached dangerous levels.

The main factors contributing to economic growth in Central Asian countries have been foreign trade, foreign investment, and foreign loans and credits. The economies of the countries of the region are critically dependent on foreign trade. The foreign trade turnover in these countries represents 60 to 70 percent of the GDP. In all countries, imports exceed exports. So, the dynamics of the Central Asian economies are totally determined by the conditions prevailing on world raw material markets. The sharp upturn in world prices of oil, metals, and cotton brought about an improvement in the economic situation in Central Asia in 2000 from the previous two years. If one disregards the low starting point, the growth can appear quite impressive. One should not rush to any conclusions, however, about the stability of this raw material model: at any moment, a sudden decline in world prices could burst this fragile bubble of prosperity.

It became increasingly apparent that the model of development chosen by Central Asian governments is in need of serious correction. To judge from the available evidence, the opportunities for extensive expansion of exports are diminishing. The exception is Kazakhstan's oil: despite some delays, the Caspian Pipeline Consortium is making progress in its project to enable the shipping of oil through the Russian port of Novorossiisk. Once complete, this pipeline will permit Kazakhstan to increase its export of crude oil to a profitable market.

Macroeconomic stabilization, together with political stability, make it possible to begin large-scale structural changes and to give greater attention to the domestic market. The agrarian sector should become the main priority of development, at least in Uzbekistan and Kyrgyzstan. In both countries, agriculture provides employment for about 45 percent of the total labor force, produces between one-third and one-half of the GDP, and accounts for a significant part of exports that earn hard currency. In both countries, economic policy actually discriminates against the agrarian sector, which has been transformed into a source of reserves for import-substitution in industry (Uzbekistan), or which is used in the interest of commercial intermediaries (Kyrgyzstan). The proportion of budgetary, credit, and investment resources for the agrarian sector does not correspond to its role and significance in the economies of the Central Asian states. By functioning as a "donor" for the other sectors of the economy, the potential is rapidly increasing for a crisis to beset the agriculture sector itself. To a significant degree, this discrimination against the agrarian sector explains the depressing social and economic situation in these countries. The eradication of poverty and indigence is not possible without a change in economic policy addressing the needs of the agrarian sector.

Top priority in the policy of development must also be given to the expansion of light industry and the processing of agricultural commodities. It is precisely these branches of industry that have been subjected to the greatest destruction during the processes of transformation and that are now situated on the periphery of attention in official economic policy. Without a reorientation of investment resources to these branches, the Central Asian states are doomed to remain exporters of agricultural commodities and products with a low level of processing—as is to be seen at the current time.

At the dawn of the post-Soviet era, the union of the Newly Independent States of Central Asia at first appeared to be entirely natural and realistic. Indeed, many regarded this unity as an important precondition for political stability and economic development in the region. By the end of the 1990s, however, the hopes for any kind of unity have receded into oblivion. As ethnic elites built their states and consolidated the authority of their leaders, each head of state began to play his own game and pursue his own interests. The breakup of the Soviet Union actually served to accelerate this regional disintegration. The post-Soviet era has allowed differences in the economic potential of individual Central Asian countries to become clearly apparent. The states of Central Asia follow economic strategies, which are to a large degree, incompatible. Whereas Kazakhstan and Kyrgyzstan carried out a policy of reducing the state's regulatory role in the economy, Uzbekistan and Turkmenistan pursued a contrary course. It should be painfully evident that this institutional discordance can hardly contribute to the process of drawing these five states closer together in the economic sphere. In this sense, 1999 became a year of unprecedented economic confrontation among the states of Central Asia. The disputes erupted in those spheres where economic interests of the different states intersected: trade, energy, transportation, and water.

In early 1999, the states of Central Asia began to impose severe restrictions and customs duties on imports inside the region. Kazakhstan, Uzbekistan, and Kyrgyzstan established trade barriers against each other. It reached the point where President Akayev of Kyrgyzstan accused his neighbors of organizing a trade blockade against his state. Simultaneously, a "transportation war" erupted between Kazakhstan on one side and Uzbekistan and Kyrgyzstan on the other. Uzbekistan regularly cuts off the delivery of natural gas to southern Kazakhstan and Kyrgyzstan. In addition, Kyrgyzstan, as an upstream country for all the major rivers in the region, shuts off the delivery of irrigation water to southern Kazakhstan in spring of 1999. It did so after Kazakhstan failed to deliver coal, as stipulated in an agreement between the two countries. Kazakhstan has its own grievances.

This suggests that economic relations among the countries of the region have been increasingly tense. Antagonism is mounting and could lead to more severe confrontations if these trends continue.

Highlights From the Discussion

Economic Development

Regional economic statistics are important but unreliable. In addressing the presenter's point about the unreliability of data, discussants focused on two likely reasons for this problem. 1) Data collection by local governments is underfunded, and as a result, it tends to be spotty and erratic; and 2) even if data are collected professionally, they do not accurately reflect the economic transactions in the informal economy (for example, the black market and drug trade), nor do they reflect real income levels. One panelist noted, however, that available data do reflect trends and suggest where the country is headed in the future.

Economic challenges lie ahead in Central Asia and the South Caucasus. One panelist argued that the social and economic data on the region suggest pervasive economic stagnation in the future unless drastic measures are taken. Even if specific sectors flourish, their success will fail to translate into a trajectory of growth. The discussion reemphasized a number of economic challenges that were outlined by the panelists. These issues include:

- Optimism over Caspian oil and gas is waning because of the uncertainty about the size of reserves; political, economic, and technical problems that complicate exploration and extraction; and the conflicting political and strategic interests of outside states with interests in the region.

- Narcotraffickers are establishing growing stakes in the economies across the region and are attracting an increasing number of people into the lucrative drug trade.

- The economies of Central Asia will be unable to deal with demographic realities in the future. Unemployment will be exacerbated by the high population growth rates. Moreover, production in the agriculture sector, where most economic activity takes place, has stagnated, and the capital-intensive infrastructure is unable to meet the social needs of the population.

Foreign direct investment and external assistance are the most important drivers for economic growth in the region. Panelists agreed that foreign direct investment (FDI) is essential for growth in the region, but the regional governments must attract FDI to a range of sectors, not just the energy sector. One panelist argued that economic globalization could assist the region in two ways: 1) FDI and foreign assistance could provide alternative sources of economic opportunity to the drug trade; and 2) globalization could mitigate problems associated with the regions' ethnically and politically irrational borders. Attracting international capital, however, requires politically sensitive economic reform.

To boost the economic prospects in the region, Western assistance should be focused on three areas:

- Transportation infrastructure.

- Communication infrastructure.

- Education infrastructure.

A contrarian view of Tajikistan. Conventional wisdom holds that Tajikistan, a state plagued by regional divisions and violence, is the most dramatic failure among Central Asian states. Several discussants, however, noted bright spots, including the recovering economy and the growing political pluralism in the country. Some panelists also expressed surprise at how quickly economic growth started, once the civil war ended.

Political Reform

Democratization is problematic. Participants who expressed their views generally agreed that democracy was not about to bloom in Central Asia and that current leadership will not willingly transfer power. Even if successions occur peacefully during the next several years, new authoritarian leaders probably will replace the current ones. It was noted that the Russian model, where elections of local officials have limited the power of central authorities, may apply in some states, but each country is likely to follow a distinctive path.

- *Kazakhstan.* One panelist argued that Kazakhstan is the most pluralist of the Central Asian states and could be quasi-democratic within a generation. The country has highly developed state institutions, a relatively diverse economy, and an elite group that will contest for power over Kazakhstan's resources. Parliament once was the training ground for political leadership, but its power has been stripped back so many times that the economy will be the place that creates political contenders for power. The panelist opined that we could see economic power brokers—Kazakhstani oligarchs—competing for political power. Kazakhstan probably will not emulate the Russian center-region power-sharing model. One panelist worried about the danger of a "Suharto-type" democracy emerging in Kazakhstan in which all power is concentrated in a family.

- *Tajikistan.* Some argued that a pluralist society is developing. Despite continued regional divisions and weak state institutions, panelists pointed to the nascent political civil society and the emerging network of informal political groups who are engaging in dialogue about their problems. One discussant observed that only the Tajiks have gone through the process of defending a national identity, which strengthens the legitimacy of the state. There was little discussion of these arguments.

- *Kyrgyzstan.* Panelists fear Kyrgyzstan is moving backwards. Initially it went furthest toward democracy, with contested elections and general press freedom. But President Akayev realized that this threatened his hold on power and has systematically clamped down on the opposition and the independent media in the last four to five months.

- *Uzbekistan and Turkmenistan.* Panelists and discussants were most pessimist about democracy in Uzbekistan and Turkmenistan, where strongmen have a firm grip on power. One panelist predicted that neither country would develop into anything similar to a Western democracy during the next 20 years, although she has observed pockets of pluralism developing in Uzbekistan.

States face common political problems. Despite the different political and economic situations in each country, discussants raised a number of internal and external issues that impede the development of democracy in the region. They include the following:

- *Lack of national identity.* One discussant argued that none of the states in the region has earned the right to be called a nation-state, having been thrown into independence by the breakup of the Soviet Union, and the elites—who are most interested in power, money, and personal benefit—in these countries have failed to communicate "national" visions that forge a national identity. Consequently, the states are going through a deep identity crisis. How do people define themselves—state, ethnicity, religion, or clan? Another discussant suggested that the ethnically inconsistent borders also contribute to the identity problem. Globalizing these states could diminish the importance of borders.

- *Lack of genuine opposition parties.* Often, the opposition in these regions is simply a rival ethnic, religious, or family clique, not a broad-based democratic opposition.

- *Western legal traditions not easily transferable.* Imposing a Western legal approach creates a divergence between the official system and the real authority structure. A decentralization of power coupled with order could be a more effective approach. One panelist argued that the region needed the "rule of law" not "rule of lawyers."

- *Lack of capable leaders to change the system.* The discussion showed that both "insiders" of the previous system and "outsiders" would have difficulty implementing political reform. "Insiders," who have been vetted by the Soviet system, do not necessarily possess the skills to transform a country. Alternatively, "outsiders"—leaders without prior experience holding power, such as dissidents or academics—often become the most autocratic and corrupt and are usually not accustomed to working in the system. One panelist opined that entrenched bureaucrats may be the largest obstacle to change and that there is often a glass ceiling for Western-trained, young leaders who enter the government. Younger leaders who are more educable offer the West an opportunity to exert more influence.

Panel II
Challenges to State-Building: The Impact of Megatrends on the Regions

This panel examined the impact of global and regional trends that are shaping the region and beyond, and explored how the states are dealing with these challenges and opportunities.

Chairman: S. Enders Wimbush
Hicks & Associates, Inc.

Globalization, Economics, and Communications

Rajan Menon
Lehigh University

There are, of course, significant variations between and within Central Asia and the South Caucasus no matter what the topic of comparison. That said, if one focuses on the contours of the forest, and not the peculiarities of the trees, it is possible and appropriate to make generalizations that highlight broad trends.

In virtually all eight states in these two regions, the economic collapse reflected by plummeting Gross National Product (GNP) values has been arrested and recovery has begun, albeit from a very low level. While this is good news, it is clear that it was bound to happen: economies hit rock bottom eventually; output does not descend to zero. In the meantime, however, the toll taken on public welfare has been immense, and the implications for the developmental trajectories of these countries are staggering—and worrisome. Inflation and budget deficits have likewise been brought under control, due in no small measure to the tutelage and discipline of global economic institutions such as the IMF and World Bank. However necessary this stabilization may be—and conceding that it has created a better climate for growth and investment—the hardships imposed on citizens by cuts in expenditures for health, education, and welfare, have worsened life for the average person. Unless improvements are carried out, the support for reform could dry up inasmuch as it will become identified with penury. A backlash in the form of instability, radical movements, and anti-Western sentiments cannot be ruled out.

Trade patterns show that while the activities of Turkey, Iran, and the West have reduced the role of Russia in some post-Soviet states, the commonplace view that Russia is an economic disaster is false. Russia retains a significant position in the trade profiles of the countries in Central Asia and the Caucasus. It leads the West as a whole in trade with Azerbaijan, Kazakhstan, Kyrgyzstan, and Tajikistan, and holds a position that is not significantly inferior in the other four. The reasons are easily understandable. The outside world is still relatively unfamiliar with these two regions. Many of them have not made it easy for Western firms to forge ties. The ruling elite (regardless of the rhetoric) is a Russified stratum forged by the Soviet system. Established markets and communications routes lead north, not east, south, or west. With time, Russia may yet be displaced, but any notion that it is no longer a player is a case of wishful thinking.

Nor is there much evidence that a flood of foreign direct investment (given the near absence of viable capital markets, there is no portfolio investment to speak of) will render Russia irrelevant. As compared to other parts of the world that qualify for the designation "emerging markets"—say, East Asia or Central Europe, or even South Asia, the amount of foreign investment is pitifully small—and smaller still if one excludes the energy sector. Because hydrocarbons account for the bulk of investment from abroad, Azerbaijan, Kazakhstan, and Turkmenistan dominate the picture. Outside the oil and gas sector, it is other raw materials, not manufacturing, which attract investment. This makes for a pattern with potentially pernicious consequences that are well known to development economists: given that the prices of raw materials and energy tend to be volatile, there are significant risks to banking on growth spurred by foreign direct investment that is so sector specific.

Perhaps the most disturbing part of the economic story has to do with popular welfare as indicated by the data on unemployment, income inequality, corruption (which primary benefits the wealthy and powerful), and public services. As is true in most (but not all) of the post-Soviet region, the situation is bleak. People are poorer and less apt to be employed, and income equality is much larger than in 1991. To make matters worse, this reality exists alongside severe cuts in public spending and the social safety net, exacerbating the vulnerability of the poor. The public health systems in these eight countries are a shambles, the educational systems suffer from everything ranging from unsanitary and unsafe schools to a lack of textbooks. The bottom line is that the human and physical capital needed for recovery and robust growth in the new century is not being created. This does not augur well for the prospects for democracy (which is not particularly good, in any event, outside Georgia and Armenia, and perhaps Kazakhstan and Kyrgyzstan) and civil peace.

Globalization is not an option (even for North Korea), it is the reality, if by globalization one means the rapid and multiple ways in which what is familiar is shaped by what is beyond and unfamiliar. Having been opened up to the world following the Soviet Union's collapse, Central Asia and the South Caucasus will experience these potentially dramatic effects of globalization—and with little prior experience. Some of the consequent effects will be benign (greater access to information and assistance); others will or could be malign —disruptive challenges to tradition, expectations that are raised by external influences but that cannot be fulfilled by internal authorities.

Central Asia and the South Caucasus are in a worse position relative to much of the rest of the world to adjust to the shocks of globalization while taking advantage of its opportunities. They have weak polities that are, albeit to different degrees, "overpersonalized" and "underinstitutionalized." Moreover, the post-Soviet transformation has already forced them to take on a great deal without their having to contend with the social mobilization and dislocations that globalization could bring. Worst of all, they may be unable to harness the many benefits of globalization. What will be the net effect? As Zhou Enlai said once when asked about the effect of the French Revolution: "It is too early to say."

Civil Society: Grassroots Organizations in the South Caucasus

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An essential function of any democratic state is the creation of a legal and economic framework for civil society. Democracy is meaningless without the capacity of citizens to participate in policymaking. In the South Caucasus states, the elements of an effective civic community—enlightened self-interest, mutual trust, horizontal links between groups, economic independence, and respect for the rules—are weak or in many areas outside the capitals, nonexistent. In Georgia, Armenia and Azerbaijan, as in other post-Communist societies, the obstacles to interest and associational group development are related to multiple factors—an absence of clear social cleavages, a limited consciousness of common interests, organizational inexperience, the existence of more traditional loyalties to kin and patrons, and ignorance of new laws.

But the Soviet legacy is only part of the problem. The new governments have, on the whole, legislated the formal framework for the existence of associational and interest groups, but they cannot or will not meet other important requirements for the establishment of a democratic civil society. I would list those in approximate order of importance to be: an economic environment that serves the population's basic needs; an effective state capable of implementing, monitoring, and correcting mismanaged policies; a relatively clean government, or a government that attempts to control corruption; and the public accountability of executive and legislative structures.

Civil society is a partnership between state and society, but in the Caucasus, the states are no longer partners. The states' withdrawal from their responsibilities in major sectors of economic life has undermined the capacity of the majority of the population to participate in policymaking, permitted vastly unequal access to political power, increased the scope for corruption and the growth of powerful unaccountable private interests, widened the gap between state and society, and reinforced popular cynicism. J. K. Galbraith's remark that "nothing . . . sets a stronger limit on the

liberty of the citizen than a total absence of money" is particularly appropriate in South Caucasus societies.

Michael Mann has pointed out that the active involvement of the state in society—what he calls "infrastructural power " or the state's ability to centrally coordinate and regulate civil society—is perfectly compatible and necessary even to effective democracy. Such regulatory involvement with society is not the same as "despotic power" or the state's ability to arbitrarily exercise power over society. Maintaining infrastructural state activity in society rather than emphasizing its separation from society is the best means to democracy and a functioning civil society. This is true particularly in the conditions of systemic collapse and political transformation when the state has to create the authority, consensus, and rules that sustain liberalism. A weak state in terms of an absence of infrastructural support for its population, which is the situation in all three South Caucasus states, will produce the very elements that undermine liberal ideals—economic decline, gross inequalities, and public cynicism.

In this context, civil society exists at three distinct levels in the South Caucasus. The tendency to focus on one level, neglecting the other two levels, which compose a large segment of the populations in the South Caucasus states, leads to a misunderstanding of the level of development of civil society in the region and to counterproductive policies intended to foster civil society. The three levels of civil society are:

- *Level one* represents the local nongovernmental organizations (NGOs) that operate mainly in the capital cities which receive support and financial assistance from the United States and international organizations. Their operating language is English, and their activities promote democracy in the region. They represent a fragile network in the region that focuses on issues such as improving access to information, promoting human rights, and increasing and sustaining public confidence in the government. Their activities are highly visible to the international community, but often these NGOs run amateurish operations that have little local support and probably will not survive without external funding.
- *Level two* embodies the average worker in South Caucasus societies, such as the government clerks, farmers, and factory workers, who are disconnected from public life. This group represents a vacuum in the middle of society that is unorganized and cynical about the political and economic changes, and that has no incentive to participate in civil society. The focus of external NGOs should be to bring these people into the political process.
- *Level three* includes the traditional clan, kin, and client/patron relationships that keep the country running. These networks tend to be corrupt and exist outside of the government. But they are the mechanisms that support people's daily lives in the region. These organizations can erode the power of states, but are necessarily inimical to the state and civil society. These networks that affect the daily lives of all citizens must also be accepted as an integral part of civil society.

Civil Society: Grassroots Organizations in Central Asia

Fiona Hill
The Eurasia Foundation

At the end of the 1990s, the common view of the states of Central Asia is that they have been effectively transformed into oligarchies rather than representative democracies and that there are few opportunities for citizen participation in government or civic and economic affairs. Although this view is not inaccurate, it is certainly incomplete. During the last decade, there also have been some significant positive achievements in the new states of Central Asia. Perhaps the most important development is that as state institutions have collapsed, small and medium-sized enterprises, business incubators, professional associations, new and innovative educational institutions, independent media outlets, and NGOs all have appeared.

A decade after independence, these grassroots efforts are in fact beginning to make their presence felt, to engage with governments and certainly to shape the civic and economic landscape, even if they have not yet become a major factor in domestic politics. They offer both opportunities and challenges to regimes—

opportunities where they provide crucial social services that governments cannot afford on a mass scale, thus helping to alleviate social pressures; and challenges where they question government policies or call for new laws or major change. Internal and external NGO programs to strengthen the independent media have perhaps been the most challenging to local governments, although programs by groups such as *Internews* to offer broader access to information for mass media outlets.

The paths taken by the five Central Asian states since independence have been very different, ranging from relative openness and attempts at reform in Kyrgyzstan to the maintenance of a semiclosed society with the trappings of a command economy in Turkmenistan. Given the growing political and economic differences among the states, it is difficult to make general statements about grassroots organizations in the region, and the NGO sector and its relationship with the state is different in each country.

In *Uzbekistan*, most NGOs are really what one might call GONGOs (government-organized NGOs). They have full government support and do not openly challenge the government on issues. The government also makes it very difficult to register an NGO, especially if it has a mandate or name that might appear potentially troublesome by mentioning the word "reform." Many NGOs listed in Uzbekistan, therefore, are not registered by the government. The lines between a more conventional NGO, government, and private enterprise are often blurred, with many self-proclaimed NGOs operating on a fee basis. Indigenous, traditional models of civil society have been actively promoted by the government, including *Makhallas* or grassroots neighborhood associations that existed in pre-Soviet times as a self-organizing body for groups of buildings and streets. *Makhallas* are now seen increasingly as a source of local leadership and a mechanism for small-scale assistance, such as loans and microcredit as well as welfare payments, and external NGOs, such as the Eurasia Foundation, have begun to work with them directly. Within Uzbekistan, at the subregional level, there are differences in relations between government and NGOs.

In contrast to Uzbekistan, in *Tajikistan*, many NGOs are truly grassroots organizations. Here the chaotic state and fragility of the central government in the wake of the 1992-1997 Tajik civil war, a daunting array of social and economic problems, and poor interregional communications, have distracted the government and loosened controls. NGOs have sprouted throughout the country and often joined forces to discuss key issues of reform. Public debates have taken place openly and regularly in Tajikistan that would be rare elsewhere in Central Asia. The Association of Political Scientists in Dushanbe, for example, has become the premier organization targeting the problems of establishing and developing a multiparty system in Tajikistan and in discussing the role of parties in the government.

Grassroots organizations have also stepped in to take direct action to address the country's problems. The Tajik Center for Entrepreneurship and Management in Khudjand in northern Tajikistan, for example, and other organizations like it, have created training programs in accounting, finance, management, marketing and basic business skills for farmers and would-be entrepreneurs.

In *Turkmenistan*, grassroots organizations are few and far between, and the number of registered NGOs can be counted on one hand. Those that are officially licensed all managed to slip their registration documents past some less than attentive government official a few years ago. Most focus on environmental issues, although there are also a number that offer specific resources and social services. The Turkmen Government deals with grassroots organizations primarily as challenges and/or threats to its authority.

In Kazakhstan and Kyrgyzstan, the growth of grassroots organizations is slow but definitely moving forward. In *Kazakhstan*, private enterprise NGOs, such as business and professional associations, probably have had the most success. The local government is becoming increasingly flexible (rather than obstructionist) in this area and open to innovation, especially at the microlevel. For example, in Almaty, the independent "IUS" Law Center, which is affiliated with the Adilet Higher School of Law, has created an arbitration center that offers an alternative mechanism for resolving economic and commercial disputes to the still unreformed court system. The center also offers assistance to NGOs, small businesses, and other professional associations in addressing financial and legal problems and is lobbying for the passage of a law on arbitration with the government.

In *Kyrgyzstan*, independent financial institutions, NGOs, and other grassroots organizations are already part of the political and economic landscape. The NGO movement also seems to be finding a voice with the government. It is not uncommon for NGOs to advocate through the courts, parliament, or legislature. In the Ferghana Valley, for example, the Osh-based Fund for Legal and Economic Reforms offers legal support for NGOs, is creating a traveling legal clinic to address land disputes throughout the Kyrgyz portion of the Valley, and is lobbying the government for court reform and new legislation. This program is a testament to the people's growing belief in their ability to influence domestic politics.

In spite of the differences, regional NGOs share common problems, not least of which are difficulties in obtaining funding. Moreover, and the activities of external NGOs are hindered by legislation and difficulties in registration. One major problem with NGOs across Central Asia is a lack of a constituency base or membership. An additional problem in Central Asia is the growing "technology divide"—not only with the West, but also with Russia, and between the regional capitals and provincial cities and rural areas. A sense of information deprivation prevails across the region, which is particularly acute in the more remote areas of Central Asia, and critical regions like the Ferghana Valley. Grassroots organizations have serious difficulty in establishing contacts with similar organizations to share experiences and best practices. NGOs and citizens in Central Asia are reaching out to each other at the same time that regional governments are moving further apart, focusing on state-building and consolidation, and carving out spheres of influence.

In sum, in spite of the obstacles, there are numerous new and potentially significant developments at the grassroots level in Central Asia. Although these are still in their infancy and it is difficult to project just how these efforts will shape the region, clearly authoritarian presidents, oligarchs, and corrupt business and government elites are not the "only show in town". In Central Asia, the states are authoritarian, not totalitarian. This means that there are cracks in the political facade that civil society is able to push through. With patience and funding, indigenous grassroots organizations and external NGOs can work there in the larger interests of the people of the region.

Islam and Other Ideologies

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Political Islamic movements of the 1970s and 1980s have moved in two different and contradictory directions. On one hand, the mainstream movements became more moderate and integrated in national politics. On the other hand, a more conservative Islam is emerging that is not revolutionary, but is more militant, supranationalist, and anti-Western/anti-United States in its orientation.

- *Islamic nationalism.* This movement represents the integration of Islam into the political state as seen with the Islamic Republic in Iran, Refah in Turkey, Hezbollah in Lebanon, the Islamic Salvation Front (FIS) in Algeria, and the Tajik Islamic Movement in Tajikistan. For example, in Tajikistan the Tajik Islamic Movement recognizes the role of the state and now promotes an Islamic identity, not against secularism, but against Uzbekistan. These Islamic parties focus on political integration and nationalist foreign policy. *Shariat* is less and less a reference point for them, although they push for a conservative social order.

- *Salafi-jihadist.* This movement is attracting either rootless (Ramzi) or committed internationalist (Bin Laden) militants. They discard state borders, fight for the jihad, and seek to re-create the Muslim *ummah* and *shariat* as the axis to build an Islamic community. They are both conservatives and radicals and are connected to a global network that attracts Muslims from all over the world to fight "peripheric" *jihad* in Kashmir, Bosnia, Chechnya, Afghanistan, and the Philippines.

Islamic fundamentalism in Central Asia and the Caucasus refers to the salafi-jihadist model, except in Tajikistan. But, despite its internationalist claim, the *salafi-jihadist* movement in Central Asia and the Caucasus tends to be more localized—an expression of local identity in areas such as Ferghana, villages in Daghestan, and upper Gharm valley—rather than national or even supranational movements. Generally speaking, Islamic radicalism tends to reenforce

national, ethnic and regional divides. Sometimes the ethnic and national faultlines match, but more often they do not. Consequently, in Central Asia these *salafi-jihadist* movements are a divisive factor and not a unifying one.

The Central Asian states are secular. Islam shapes society, but does not influence the politics. The governments in the region give lipservice to traditional Islam as a factor of social conservatism. The governments in the region seek to control the official clergy, which have power over the great mosques in the region. But at the same time, we see conservative cultural trends where Islam is blended with tradition. Polygamy in Turkmenistan is an example of the social influences of Islam in the region. But it does not lead to political mobilization. In most of Central Asia radical Islam is not a threat to the state. In Tajikistan, Islamic nationalism has been a critical driver of state consolidation. This has also been the case in Iran. Uzbekistan, however, represents the only country where political Islam may challenge the ruling order.

Islam does not play a role in the foreign policy of these states, except when the governments perceive a threat, such as the *salafi-jihadist* threats emanating from Afghanistan, Pakistan that is fomenting localized instability.

Narcotrafficking and the Rise of Independent Militias

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In Central Asia, the traditional Western definitions for drug dealers, mafias, and militias blur. All three categories have become so inextricably linked that one cannot distinguish one from the other. The activities and support of all three categories are far more international than ever before, particularly in terms of funding.

Narcotrafficking

No development in Central Asia has greater geopolitical significance than the worldwide shift of heroin production from Burma and the Golden Triangle to Afghanistan between 1995 and the present. Whereas the wholesale value per kilogram of cocaine in any major world capital is between $10,000 and $40,000 dollars, the corresponding value for heroin is between $150,000 and $250,000. Afghanistan (and, increasingly, adjacent areas of Pakistan, Tajikistan, Kyrgyzstan and Xinjiang) produces and/or processes 85 percent of heroin consumed in Europe and also meets a rapidly growing percentage of Asian (mainly Chinese) demand. Ninety percent of the raw product derives from Taliban-held areas of Afghanistan.

Central Asia is now by far the largest of four main export routes (Iran, Pakistan-China, Pakistan-India). The traffic is dominated by international cartels based increasingly in Moscow but also in Nigeria, Columbia, the Caucasus, and the Balkans. Powerful local traders are responsible for their own territories and are paid by the cartels "in kind." This is leading to the rapid growth of consumption across Central Asia.

The value of drug trafficking in Central Asia is not known but it probably now constitutes the largest national income stream in Tajikistan and close to that in Kyrgyzstan. Both opposition and official branches of the Tajik Government receive money from this source, as do some law enforcement officers, customs officials, and military officers in the other countries, according to local informants.

Where is the focus of activity? It is found not in the urban areas but principally in the mountainous rural areas, where other economic alternatives are scarce. The drug trade is fueled by the poverty in the most neglected regions. The Ferghana Valley has been a center of activity. Despite the efforts of Uzbek authorities, interdiction hovers at about 5 percent.

Independent Militias
Like the drug traders, militias are almost always international in character, formed at bases outside the former Soviet space, and supported by Middle Eastern and Pakistani patrons and drug dealers. Militias feed on unemployment rather than political repression. Interviews with dozens of former Tajik militia members now in the Tajik army indicate that the promise of financial rewards, often extending to their entire families, rather than reaction against repression or the presence of an attractive ideology, is the main motivation for participating.

The international community can take steps to cut back the drug traffic and militias and reduce demand for drugs. Drug production is demand-driven and the main consumers are in the West.

- Stanch the flow of international funding to militias. Support for militias not deriving from drugs comes from several of America's closest allies, including Saudi Arabia and the United Arab Emirates. Address the chaos in Afghanistan. Were some form of stability to be established in Afghanistan, both militias and the drug trade would be denied their essential feeding ground.

- Provide economic alternatives to poor, mountainous regions in Central Asia.

Highlights From the Discussion

The Impact of Islam

Commentators should be mindful of how they talk about Islam. How we define Muslim states and refer to Islamic groups or movements is constrained and distorted by terms, which are inaccurate or is misunderstood by the West. Several examples were raised during the conference:

- *Islamic and Muslim States.* The difference between Islamic and Muslim states has blurred during the past several years, particularly as Islamic parties emerge in traditionally secular Muslim states, such as Egypt and Turkey.

- *Fundamentalists versus Extremists.* One discussant cautioned the panelists that the term "fundamentalists" carries significant derogatory baggage. Fundamentalists in any religion hold strong views, but they are not necessarily violent or antistate. "Extremist" Islam may be more appropriate to describe the dangerous Islamic movements in the region.

- *Wahabis.* In Central Asia, Wahabis refer to fundamentalists who come from Pakistan or Afghanistan, but they are not necessarily a political movement. For example, Wahabis in Tajikistan do not recognize themselves as a political alignment. However, most Central Asian regimes use the term Wahabi more broadly to describe Islamic religious movements outside the states' control.

Divided views over the role of Islam in Central Asia emerged. There was some disagreement over whether Islam plays a role in fomenting conflict and instability in the region. Several panelists argued that Islam is a moderate force in Central Asia. Others observed that Islam strengthens national and ethnic identities and fuels internal tensions.

There was concern that Central Asian leaders may exaggerate the threat from Islamic extremists to attract sympathy and aid from the West and that in reality some of these governments are creating their own internal stability problems by repressing even moderate expression of Islam. One discussant, on the basis of his time in the region interviewing captive Uzbek and Kyrgyz Islamic militants in Afghanistan, argued that the growing number of Islamic militants are largely "pushed" out of their countries to escape ethnic discrimination, police abuse, and a lack of economic opportunity, rather than "pulled" by the appeal of extremist Islam.

Afghanistan

Stability and prosperity will only follow a solution of the Afghanistan conflict. Afghanistan is the nexus for training and staging of Islamic militants and the narcotrafficking that sweeps across the continent from Burma to Turkey. Instability at the core of the region inhibits energy transportation. Russia will continue to use instability in Afghanistan to justify its presence in Central Asia.

Pakistan feeds the Afghanistan problem. One discussant highlighted the inextricable link between the Afghanistan problem and Pakistan by detailing the involvement of the Pakistani military in the training and funding of the Taliban and other Islamic militants. He witnessed the shipments of weapons and food from Pakistan to training grounds in Afghanistan. Therefore, policy directed at solving the Afghanistan problem will have to contend with Pakistan's contributory influence.

A stable Afghanistan is no panacea. While these panelists agreed that the Afghanistan conflict must be resolved to bring stability to Central Asia, a multipronged approach is required to address the drug trafficking problem. First, the demand side of the cocaine and heroin problem must be addressed to effectively stymie drug trafficking. Second, international aid and development programs must focus on creating alternative economic opportunities for populations that are forced to live off the drug trade, particularly in rural areas. A stable Afghanistan will reduce the immediate Islamic threat in Central Asia but will not eliminate Islamic militant movements, which are international and enjoy a vast network of supporters across Asia, from the Philippines to North Africa.

Problems and Opportunities in the Development of Civil Society

Central Asia and the South Caucasus may be faced with a "lost generation." The flight of human capital, combined with declining resources available for education, is a critical problem in both regions. Education infrastructure is rapidly deteriorating, leaving the young generation to grow up with little or no formal education. One panelist enumerated a number of factors contributing to the education problem.

- The dire poverty of many communities in the region inhibits the schooling of children. Many are required to stay at home to help on farms or are put to work to earn money. Many children lack schoolbooks or even shoes to wear to school.
- The dilapidated school infrastructure is unsanitary and lacks sufficient heating facilities, which keep children away in the winter months.
- Textbooks are scarce, and those available tend to be poor and unbalanced.
- Because of the regimes' inability to pay teacher salaries, many of these countries face a teacher shortage, particularly those qualified to teach languages. For example, Georgia is experiencing a shortage of instructors to teach Georgian to non-Georgians, which exacerbates the integration problem.

Some panelists noted that these education problems could pose insurmountable obstacles for the economic development in these regions and that these countries could be left behind in the era of globalization. Several panelists commented that private institutions funded by a variety of international organizations have begun to fill the vacuum created by the collapsed public education infrastructure. But for the most part only the elites have access to these private institutions. One panelist disagreed, however, with this assessment in the case of Uzbekistan, where public education institutions have shown great resourcefulness in managing scarce resources and in instituting fee-paying programs under the auspices of the public organizations. He also noted that entreprenurialism in the education sector is fueling the establishment of a myriad of educational institutes—for secondary and higher education—across Uzbekistan, which are not only available to the country's elite.

Civil society projects should focus on the microlevel. Several panelists and discussants agreed that large-scale change is difficult to initiate, but that significant progress is being made at the local and microlevels through targeted assistance and the work of NGOs—termed the "thousand points of light" approach by one panelist. Microlevel change can only be achieved by working on the ground with the local people, particularly in the rural areas. Numerous small enterprise associations are developing in Central Asia. However, more microcredit is needed for such enterprises to make a larger contribution to growth and employment in these societies. One discussant, who is a native of the Central Asian region, lauded the Eurasia Foundation for its dedication to sustainable projects. Several discussants observed that women in Central Asia are taking leadership and decisionmaking into their own hands to improve their situation, especially in Uzbekistan and Kyrgyzstan.

NGOs are shaping civil society but must focus on sustainability. To be successful, the organizers of external assistance programs must make an effort to understand state and civil society relationships in these regions. Much of the civil society activity in these countries takes place among labor groups, farmers, and pensioners that live outside the capitals and therefore, are currently neglected by Western NGOs. One panelist argued that international NGOs must focus on developing local, self-sustaining NGOs. Currently, active, international NGOs in theses regions tend to generate resentment among the locals because they often fail to foster a sense of equality or partnership with domestic organizations. This results in a growing dependency on the NGO and little preparation for a "post-NGO" environment. Consequently, when the advisers leave, the communities are ill equipped to carry on by themselves, making many civil society–building projects unsustainable.

Panel III
Regional Dynamics

This panel examined how each new state views its relationships with surrounding states, including both other Newly Independent States and those outside the boundaries of the former Soviet Union, taking a regional approach, not an intraregional approach. This new regional context has many new features that also involve outside states. Speakers from the South Caucasus and Central Asian regions were asked to outline how each of their respective countries is thinking about its strategic universe.

Chairman: Tom Zamostny
Office of Russian & European Analysis

Strategic Universe of the States in the South Caucasus
Paul Henze
RAND Corporation

Russia's shadow hangs heavily over the entire South Caucasus region. All the states of the South Caucasus—Armenia, Azerbaijan, and Georgia—suffer from the effects of two centuries of Russo-Soviet domination, a form of colonialism more pernicious than that experienced by most Third World countries. Seen in broad historical perspective, Russian imperial domination enforced peace in the region and generated economic momentum. These were positive gains, but 70 years of Soviet rule badly distorted Caucasian countries' evolution, subordinating economic development to Moscow's priorities, creating a sense of political powerlessness and irresponsibility among the citizenry, and laying the basis for intensified ethnic tensions once KGB controls were relaxed.

To compound matters, Russians (with and without varying degrees of governmental support) engaged in irresponsible political maneuvers during and after the collapse of Soviet power which have left a legacy of unsettled conflicts in each of these countries. In addition, instability in Caucasian regions that remain within Russia—the entire North Caucasus—continues to affect the countries on the southern side of the mountains. Russia has been unable to develop a coherent Caucasus policy or to rein in military adventurers, old Communists, and neo-imperialist nationalists. Thus it has stumbled from one brutal intervention to another in both North and South Caucasian affairs. It has generated fear and distrust in Georgia and Azerbaijan. It has exacerbated political, economic, and social problems in its North Caucasian republics.

Strategic Universe
Georgia and *Azerbaijan* share deep distrust of Russian neo-imperialist tendencies. Both blame Russia for exacerbating internal ethnic strains. Both suspect Russia of abetting assassination attempts against their leaders. Both wish to reduce residual dependence on Russia and reorient all their relationships in a West-East, rather than North-South direction. Both give high priority to good relations with Turkey. Both desire closer relations with NATO. Both aspire to becoming part of an economic corridor extending from Eastern Europe through Central Asia all the way to China.

The fact that the population of Georgia is overwhelmingly Orthodox Christian while that of Azerbaijan is predominately Shia Muslim has little effect on public attitudes or on these countries' political orientation. Both give cooperative relations with each other high priority. Georgia values close relations with Turkey, Ukraine, and Europe, especially with Germany. The United States looms large in Georgia's interests and expectations. Georgia also aspires to close relations with the FSU states of Central Asia, particularly Uzbekistan. It has close relations with Israel and a fairly close relationship with Iran. Azerbaijan has an edgier attitude toward Iran stemming from its people's links with and interests in the much larger Azeri population of Iran. Azerbaijan enjoys a good relationship with Israel. In almost all other respects, Azerbaijan's attitudes toward other countries and peoples, including the United States and Europe, parallel those of Georgia.

Armenia continues to be led by men who favor Russia as a protector. Armenia pays lip service to notions of

regional and, specifically South Caucasian, economic cooperation but has isolated itself by its aggression against Azerbaijan. Russia's inability to formulate a rational, forward-looking Caucasus policy leaves it locked into its old imperial habit of exploiting Armenia as a base for politicking in the region. For neo-imperialist Russians, Armenian reconciliation with Turkey (which would bring the country many economic advantages) is undesirable, as an Armenia enjoying constructive relations with its geopolitical neighborhood could no longer serve Russia as a pawn. Armenian leaders, encouraged by diaspora extremists, have so far been unable to extricate themselves from this predicament.

Armenians are beset with victimization complexes. Armenia feels tied to Russia (even though it cannot always trust it) and distrusts Turkey; as an alternative it is pursuing close links to Greece. Armenia looks to Iran as a tactical friend and shares many of the conventional attitudes of Russians toward Arab and Balkan countries, seemingly preferring radicals and mavericks among them. Among European countries, Armenia feels warmest toward France, where there is a large Armenian diaspora. Armenia wishes to be regarded as a European/Western country, but its close links to Russia limit the enthusiasm with which it participates in European and NATO activities. Armenia regards the United States as an important friend but relies on its diaspora in America to press the US Congress, against the desire of the Executive and public opinion, to maintain punitive measures against Azerbaijan.

Regional Cooperation

The most constructive alliance for the South Caucasian nations would be one that brought all three together in a common market with security and political dimensions as well as far-reaching economic cooperation. It would require a full settlement of differences between Armenia and Azerbaijan. There is good reason to believe that Russia, as presently led, would go to considerable length to discourage and/or block realization of any South Caucasian alliance, preferring to deal separately with each South Caucasian country and retain the option of encouraging rivalry and strain among them.

What makes these alliances possible? A South Caucasus common market would be logical from an economic and energy viewpoint; it also makes geographic sense, given the importance of expanding all forms of transport through the region in coordinated fashion. Security cooperation among the three is another important dimension that would be mutually beneficial in controlling smuggling, drug traffic, and terrorism.

Nature and Future of Regional Institutions

Georgia and Azerbaijan give great importance to all regional organizations, arrangements for cooperation with NATO, the European Union and the Organization for Security Cooperation in Europe (OSCE); both countries are enthusiastic about unilateral and multilateral military training arrangements, East-West transport schemes, Black Sea cooperation efforts, and regional economic cooperation initiatives with Middle Eastern countries to the south. It is too early to foresee how GUUAM will develop, but Georgia and Azerbaijan see it as having a significant future with the potential for developing into a roof over other cooperation and alliance arrangements. None of these regional cooperation arrangements is yet fully structured; most are dependent on meetings between presidents and other political leaders which sometimes entail little followthrough.

All three South Caucasian countries value membership in the United Nations and most of its subordinate organizations. All recognize that it provides a framework for some degree of mitigation of territorial disputes. All welcome the various kinds of assistance that UN agencies can provide. None of these countries, however, has unrealistic expectations about the UN's ability to deal with major problems and areas of tension.

As long as Armenia retains close strategic links to Russia, it is likely to be primarily a nominal participant in most of the cooperative arrangements that Georgia and Azerbaijan value. If the status of Nagorno-Karabakh were to be regularized and a formal reconciliation between Armenia and Azerbaijan

achieved, accompanied or followed by the opening of a normal relationship between Armenia and Turkey, a whole range of possibilities for Armenia's wholehearted participation in regional cooperative arrangements would open up. Russia remains the primary impediment to cooperation in the region. Stability, consolidation of democracy, and steady social and economic progress in the South Caucasus will be possible only when Russia reconciles itself to the loss of imperial conquests in the region and adopts a constructive concept of the future of the region.

Cascading Effects of the Ongoing Regional Conflicts

The conflicts between Armenia and Azerbaijan over Nagorno-Karabakh adversely affect the economic and political development of both countries. It has created a festering refugee problem in Azerbaijan that is a serious social and economic burden. The areas of Azerbaijan occupied by Armenia are condemned to stagnation. The same is true of the situation in Abkhazia. Costs of rehabilitation of both of these areas will increase steadily the longer the stalemates persist. The same is true to a lesser extent of the situation in South Ossetia.

Continuing ethnic stress, political tension, and relative economic stagnation have resulted in an ongoing population drain from each South Caucasian country. Loss of population is most serious in Armenia and Georgia, and less so in Azerbaijan, the most populous of the South Caucasian countries. This emigration has two medium- and long-term negative dimensions: (1) if and when economic resurgence occurs, a labor shortage could inhibit development; and (2) a brain-drain deprives each of these countries of some of their best educated, talented and motivated men, women, and youth.

Russia's brutal assault on Chechnya, compounded by efforts to intimidate Georgia and Azerbaijan for their sympathy with the Chechens, has reverberated through the South Caucasus. Stability in the South Caucasus is inevitably affected by developments immediately to the north. The Soviet Union was never able to devise a satisfactory political approach to the entire Caucasus region and instead fell back on the Tsarist habit of *divide et impera*. The problem has been compounded for the rulers of independent Russia by the independence of the South Caucasus. So far, they have failed to meet the challenge.

Georgia's Perspective

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Georgia views its fundamental political choices in the system constituted by two poles: Russia and the West. Although views of Georgian political elites and Georgian public may have become somewhat more complex and sophisticated as compared to the period of pro-independence euphoria ten years ago, this fundamental bipolar view of the political situation in the region has not changed, and probably will not change in the foreseeable future.

In this view, Russia mainly represents a threat to the newly acquired Georgian independence and symbolizes the past, while the West represents hope of security protection and consolidating independent statehood, but also hope for future development, that is democracy and market economy. Georgia thinks that the Russian threat is mainly realized through support of internal separatist forces, such as Abkhazian and Ossetian movements, or semiseparatist forces, such as Ajarian leader Abashidze. Although these two reference points may directly concern foreign policy orientations, whose attitude to them also strongly correlates to stands taken in domestic politics: being pro-Western usually means supporting democratic and market reforms at home, while being pro-Russian more often means nostalgia for strict governmental control over all aspects of political and economic life. This means that in almost all political campaigns, including parliamentary and presidential elections in 1999 and 2000, the difference between "pro-Western" and "pro-Russian" forces rather than traditional ideological differences between "left" and "right" continue to be the most conspicuous dividing line between political groups.

Pro-Western mood has been prevalent in Georgia both on the level of political elites (as the analysis of elite discourse would show) and wide public (as is clear from public opinion polls). The exception may be the years 1993-94, when after suffering a humiliating defeat in a war against Russian-backed Abkhazian separatist forces, Georgia reconciled itself to the status of a strategic satellite of Russia. Joining the CIS in November 1993 was considered the first step in this

direction, followed by agreements on Russian peacekeepers in Abkhazia and on the Russian military bases all over Georgia. Although these decisions were considered humiliating, they were also widely popular, because the country felt it had exhausted its resources in resisting Russian pressure. Georgia later stabilized and slowly but consistently drifted away from Russia and toward the West. This meant rapprochement with individual Western countries (first of all the United States) and international organizations. Competition for pipeline routes for transporting Caspian oil to Western consumers has been the major context in which these policy changes occurred, but from the Georgian point of view the geopolitical meaning of pipeline projects far exceeded their purely economic aspects. Building the Baku-Supsa pipeline, joining the Council of Europe and World Trade Organization (WTO), establishing closer cooperation with NATO within the Partnership for Peace program, and, on the other hand, the departure of Russian border troops and the agreement to close of the Russian bases, represent the most important achievements of the Georgian Government in its pro-Western course and represent a steady shift toward the West. President Shevardnadze has stated that Georgia will knock on NATO's door in 2005.

While Georgians do consider the Western option as a generally preferable choice for their country's development, however, actual pro-Western orientation of the Georgian politics cannot be taken for granted. The Georgian Government and public are not confident about continuous commitment of Western countries to the region. There is always a fear that the West will change its priorities or "return" Georgia to the Russian sphere of influence as a part of some behind-the-scenes deal. This is why President Shevardnadze never openly challenged Russian leadership in the region, and there were never clear demands for the Russian military bases to leave Georgia. The country's political elite may be mainly pro-Western, but it is also afraid of being left "one on one" with Russia at a critical moment.

Putin's ascendance to power in Russia revitalized fears that under a more consolidated and dynamic leadership, and having put the problem of Chechnya behind it, Russia may again become more assertive in the South Caucasus. There is no guarantee of any outside protection. On the other hand, President Shevardnadze hopes that with more rational and predictable leadership in Russia, some acceptable deal on security issues may be reached, which was impossible with Yeltsin. While Putin seems to be an enigma for the whole world, the Georgian leadership tries to keep its options with Russia open.

Relations to all other countries are mainly secondary to this major dilemma. Turkey is considered a counterbalance to Russia and a door to NATO, which makes this country the closest ally in the region. Azerbaijan is another close ally because it has similar problems as Georgia vis-a-vis Russia. Among different regional organizations of which Georgia is a part, GUUAM may be based on the most genuine interest and prove to be the most lasting one, although all member-countries are reluctant to make this group too conspicuous to avoid irritating Russia too much. Armenia is a special case: Tbilisi is suspicious of Yerevan because of its close security ties to Russia, but good relations with Armenia are crucial for several reasons: 1) good relations with all neighbors will allow Georgia to present itself as a pivotal country in matters of regional cooperation; 2) Georgia needs stability in its Armenian-populated regions; and 3) Georgia wants to take advantage of being Armenia's seagate.

Today's volatile stability in the region is fully based on a shaky balance of power between Russia, the United States, Turkey, and local state and substate actors. This balance has been relatively stable for five years. Preserving existing trends in the near future might mean changes in details (Russian military presence in Georgia may diminish still more, for instance) but not in the general picture: conflicts in Abkhazia or Nagorno-Karabakh probably would continue in their 'frozen' or deadlocked stage, the South Caucasus will be seen as mainly an arena of Russian-American competition, and so forth. Even the passing of such quasi-eternal leaders, such as Shevardnadze or Aliyev, would not change much (of course, if these countries master orderly succession of power), like exchanging Ter-Petrossian for Kocharian did not bring much change. Local actors seem to be preoccupied with internal problems and take a wait-and-see attitude with regards to the "big guys." There is a vague feeling in the air that something may start to change in the region, but nobody knows in what direction. Currently, Georgian politics are stuck. Prodemocratic support is waning and the direction of the country is no

longer clear. It needs a new direction. If change does occur, the initial push probably will not come from within the region, at least not from an intentional change in policies.

Azerbaijan's Perspective

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The major challenge for the Caucasus states in the post-Soviet era has been integrating the region with the world community, above all with the West, while at the same time establishing a safe and secure regional environment for the process of state-building. However fragmented Russian foreign policy was toward the Caucasus, the strategic importance of the region in the post-Soviet period put these countries under the permanent pressure of the ambitious but economically weak former Soviet metropole. Russian foreign policy has been the result of complex relations among competing institutions, internal political struggles, and international factors. Despite its gradually shrinking resource base, Russia did not back away from these pressures in dealing with the Caucasus states. Instead, Russia remained faithful to its traditional policies of "divide and rule." Traditionally strong Russian security agencies supported the objectives of weakening and destabilizing the new states. Importantly, Russia has not required a substantial resource base to support these aims.

Two major events since 1991 have undermined Russia's influence in the post-Soviet Caucasus: the Chechen war of 1994-96 and President Aliyev's signing the "contract of the century" with the major foreign energy companies in 1994.

Since 1994, oil has played quite an important role in the foreign policy strategies and security of the country and in the politics of the whole region. For president Aliyev, natural resources have been an important tool in his consolidation of power domestically, as well as in his foreign policy. As in the other South Caucasus states, the initial stages of state-building in Azerbaijan were affected by internal and external threats. A presidential form of government was favored over a parliamentary government because of the weak state institutions and Soviet institutional legacies. Revenues from energy resources provided a strong incentive for the government to maintain control over them as well as use them as a means of strengthening power through patronage.

As the external and internal threats diminished, the new political institutions started to shape foreign policy decisions. Strong, centralized executive power tended to make foreign policy dependent on personal capabilities of a few leaders, on subjective images, and on strategies largely shaped by the personal backgrounds of the leaders. At the same time, strong presidential power gave the executive branch extensive freedom in its foreign policy formulation by protecting it from the influence of different interest groups and the parliamentary resistance. In this context, foreign decision-making also became increasingly dependent on the consolidation of power and was driven by the leader's desire to protect his regime.

The post-Soviet leaders of Azerbaijan viewed objectives of foreign policy similarly, but differed in their understanding of the nature of international relations and in their strategies for pursuing those objectives. In spite of the predominantly Muslim population, post-Soviet Azerbaijan's social and political elites have formed a consensus with regard to their country's foreign policy orientation.

The post-Soviet foreign policies of Azerbaijan have evolved over the past decade:

- *1992 to 1993.* During this initial period, an idealistic/ideological approach to foreign policy prevailed, particularly among young intellectuals.
- *1994 to 1999.* Azeri leaders began to take a more pragmatic approach to foreign policy. When he became president, former Communist leader Heydar Aliyev used Azerbaijan's strategic energy resources as an asset to attract Western interests and investment in the region, thereby creating alliances to counterbalance Russian and Iranian attempts to expand their influence in the South Caucasus.

- *1999 to the Present.* The present period is characterized by growing Western economic and security interests in the region, which have resulted in a security dialogue with the West and the diminishing of external threats to Azerbaijan's security. Today, commercial interests and individual security concerns are becoming more salient in Azerbaijan's foreign policy and are contributing to competition among the Caspian states. The countries in the region are feeling more secure and confident and have begun to balance their interests among the regional powers. Factors affecting these developments include a change of leadership in Russia, which appears more amenable to a dialogue with the West and NATO; the liberalization of the regime in Iran; and the prospects for an Iranian dialogue with the United States.

These changes in the regional environment coincided with the difficulties in lifting the 907 Section of the Freedom of Support Act and the disrupted Nargorno-Karabakh peace process. The latter has been a result of Russia's meddling in the South Caucasus and the spillover effects of Russia's incursions in Chechnya. Both the Karabakh conflict and the Section 907 Amendment in the United States remain crucial issues that influence the foreign policy behavior of the Azerbaijani leadership. Different outcomes could either strengthen or weaken Aliyev's regime. Putin's interest in gaining the support of the South Caucasus states forced him to recognize, at least verbally, the territorial integrity of Azerbaijan and Georgia and express his willingness to be a guarantor of the peace agreement between Armenia and Azerbaijan. The "easiness" of President Putin as a negotiating partner, however, does not guarantee his ability to change Russia's policies in the South Caucasus. Fear of losing the South Caucasus and lack of support from his power base will put serious constraints on the degree to which he can fulfill his promises to leaders in the region.

Armenia's Perspective

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East-West Institute

During the last decade there have been essentially two opposing views in Armenia concerning regional dynamics and future alliances. The first may be called the ideological. Proponents of this view, Communists and some nationalists, argue that there are unchanging and unchangeable circumstances in the country's interests which compel it to accept a Russian "orientation," complemented by close cooperation, if not an alliance, with Iran. This would counter the East-West axis—potentially anti-Armenia—which is perceived to be the goal of some countries. This position was also the dominant conventional view until 1990 and relied on the premise that Turkey is the eternal enemy. All other foreign policy and security considerations flow from an alliance with Russia, including a reflexive anti-Americanism and an "historic" antagonism with Turkey. It is worth noting, incidentally, that by the 1980s the basic assumptions of this position were also shared by most organizations of the Armenian diaspora in the United States and Europe.

The second view, the pragmatic one, was put forth by the Armenian National Movement (ANM) and its leader, the former President Ter-Petrossian. It assigned no a priori and permanent functions—friend or foe—to any of the states; it proposed normalization of relations with all neighbors as the goal of foreign policy and sought long-term security in resolving problems with neighbors through diplomacy and regional cooperation. This was the dominant view under Ter-Petrossian. The Kocharian Administration has not, in principle, changed the basic premises of the policy. Tactical steps taken recently, however, have undermined its substance.

On a practical level, conceptual approaches—especially as they relate to Baku and Ankara—have been mitigated, and actual relations have been determined by the course of the Nagorno-Karabakh war and resulting economic realities.

There are plenty of reasons for Armenia to develop strong cooperation with all its neighbors: energy, transport, creation of and access to larger markets, and complementarity of economies and resources. The Nagorno-Karabakh conflict have also made any kind of serious regional cooperation or security arrangement practically impossible; for Azerbaijan to permit such a relationship would be tantamount to aiding the enemy.

The Nagorno-Karabakh conflict has undermined Turkish-Armenian relations upon which the pragmatic policy rested. The linkage Turkey has made between the establishment of diplomatic relations and the opening of the border with Armenia to the resolution of the conflict has weakened the credibility of the pragmatic view and de facto compelled Armenia to seek a closer association with Russia. Instead of becoming part of the solution, Turkey has remained part of Armenia's security problem, real and/or perceived. Turkey's full diplomatic support to Azerbaijan's position in the Nagorno-Karabakh negotiations and participation in Azerbaijan's blockade of Armenia has served only to deepen the historic mistrust that exists between the two peoples. Furthermore, Turkey's position stands in sharp contrast to Iran's neutrality regarding the conflict and its full diplomatic and economic relations with both Armenia and Azerbaijan, despite the theocratic nature of its regime.

On a practical level, Armenia has not been able to supplant Russia as the country that provides the most assistance to Armenia: energy, loans, markets for its goods and exported labor and, of course, arms. In the absence of visible and concrete progress in relations with Turkey, Russia will be seen as a natural fallback country. This reinforces the position of those with a pro-Russian orientation, despite the clear signs that Russia does not support Armenia's position in the Nagorno-Karabakh conflict and that it has obvious interests in Azerbaijan. Azerbaijan, in turn, relying on oil-and-gas diplomacy, has attempted to counterbalance Russia through an apparent rapprochement with the West, especially the United States. One of the consequences of the conflict has been the emergence of a neo-Cold War in the region.

Other NIS countries outside the region are seen largely as friendly. Relations are significant from an economic point of view. In principle, Armenia accepts and encourages all forms of membership in and cooperation with regional and international organizations and projects. The CIS was originally seen as a necessary mechanism for the devolution of the empire and is still useful as a mediating institution, certainly from the point of view of practical gains in the security dimension. GUUAM is viewed with caution. It could become a vehicle to antagonize Russia, which would compel Armenia to make tough choices it cannot afford to make at this time. European structures are viewed positively, though not yet from the point of view of security.

Iran is seen as a friendly, though difficult, neighbor. Geography and Iran's difficulties with the international community, as well as Iran's trade policies, make it difficult to develop these relations to their potential. Armenia has resisted, nonetheless, suggestions of a bilateral strategic cooperation and is likely do so in the future. Armenia has taken part in multilateral arrangements that have been proposed by Iran with Greece, Turkmenistan, and Ukraine. Furthermore, for both administrations since 1990, the concept of a regional security pact would include Iran as well as Russia and Turkey.

Much more so than the previous one, the current administration's view of its relations with Near Eastern, European and American states includes the overrated supranational "Diaspora factor" or "weapon," which some view as the equivalent to Azerbaijan's oil.

A balanced foreign and security policy is still a possibility for Armenia. Time is running out, however. Armenia, like Azerbaijan, may be losing its capacity to make sovereign decisions, particularly with regard to the settlement of the Nagorno-Karabakh conflict. That conflict remains the single-most-important factor in the future of these two republics and the most effective lever in Russia's policy with regard to the region. The increase in the number of proposals for regional "security pacts" seems to be directly proportional to the decrease in the ability of leaders to reach and deliver solutions to local conflicts that would make regional cooperation on any level possible.

The rise of Putin may change the role of the CIS. The war in Chechnya and its spillover effect may compel reluctant members, such as Georgia and Azerbaijan, to accept a wider role for that organization. Putin may be able to dampen the enthusiasm of some for a "Western" or "NATO" orientation. Finally, the question regarding Russian policy in the region can no longer

be whether Russia wants peace and stability in the region or not. Russia has imposed both in the region in the past. That, in effect, is the substance of pax Sovietica. The question is whether Russia has enough strength and influence to impose a new, a pax Russica, and resist a pax Americana.

There are three likely scenarios for the future of the South Caucasus:

- Some form of Western accommodation with Russia and improved US relations with Iran that permit economic and political competition in the region, while allowing the three republics to cooperate more closely and retain much of their sovereignty.

- The region may become the arena wherein a new Cold War is waged, given the weaknesses of the three republics and their inability to avoid strong external alliances. The future of the region would be uncertain, if not chaotic.

- The three states may gradually slide into the Russian sphere, without necessarily losing their independence. Russia's weaknesses are many and serious; but these are weaknesses as compared to the United States and other major states, not to the South Caucasus republics. Furthermore, Russia has more tools of influence. Finally, Russia has the advantages of patience and proximity, which the West may be lacking.

Strategic Universe of the States in Central Asia
S. Fredrick Starr
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The southern and eastern border of the USSR was for decades the world's longest and most tightly sealed international boundary. In that sector of this border, which fell within Central Asia, however, it was a barrier that severed age-old links and ties that embraced trade, culture, and security. Following the collapse of the USSR and the establishment of eight new sovereignties adjacent to or near this boundary, the natural course of events would have led to the reestablishment of these ties. Because of continued concerns over Iran and especially to fears regarding Afghanistan, this opening has not yet occurred. Nonetheless, it is bound to happen at some point in the coming period. These remarks seek to characterize the regional dynamics of Central Asia in the period before and after such a change.

More than any other state, including Russia and China, Afghanistan has defined the regional dynamics of Central Asia to the present. Its internal chaos has served as justification for Russia's continuing military presence along the former southern Soviet border and elsewhere. It has prevented the export of gas, oil, electricity, minerals, and raw cotton to nearby and potential lucrative markets in South and Southeast Asia, in the process increasing the region's dependence on routes and markets controlled by Moscow. Fears over radical Islamists, drug traffickers, and terrorists based in Afghanistan have contributed to the increasingly authoritarian character of all the regimes and to their defensive isolation from one another.

An opening to the South could occur under a wide variety of regimes in Afghanistan. It requires simply that stability be established there and that the Afghan Government put an end to the use of its territory for mounting attacks against its neighbors. How would such a situation within Afghanistan alter the regional dynamics of Central Asia? Obviously, any answer must be highly speculative. It is useful to try to imagine the shape of subsequent developments in three areas: transport, investment, and security.

The fall of the USSR led to the opening of direct air routes to many capitals and trading centers beyond Soviet Central Asia. Three roads have been opened to China, and broader East-West links are on the drawing boards. But no significant road or rail links yet exist to the South. Consequently, China has been able to dominate the Central Asian market for cheap goods, become a consumer of electricity and, potentially, oil from the region, create a strong presence throughout the area, and establish itself at least on a par with Afghanistan and Russia as a factor in the security dynamics of Central Asia.

The opening of transport corridors to Iran, Pakistan, and India will dramatically shift these dynamics. Indian and Pakistani businessmen and traders are quite blunt about their desire to supplant China as a source of goods for Central Asia. Both countries have assigned governmental commissions to explore the development of transport to bring this about.

They see their advantage as deriving from the fact that they would, at the same time, become markets for Central Asian gas, oil, and electricity. On the Central Asian side, all countries see India and, to a lesser extent, Pakistan, as a less threatening partner than China (or Russia) and as a means of providing some counterweight to China's growing presence. Conversely, groups of Indian businessmen visiting Central Asia with this writer have declared their readiness to invest in the region, once direct transport routes are opened.

Central Asian leaders share a common sense of weakness—a lack of control over their reality. They all seek an area that they can control; this need is rooted in a lack of power, not a sense of power. Surrounded by great powers, Central Asians tend to pursue a defensive strategy. The West should seek to understand the intraregional relations and the strategic agendas of each of the states. Despite their weakness and the complexities of the environment, the only immediate threat to their security is Afghanistan.

The reduction of the threat from Afghanistan (and further positive changes in Iran) will significantly affect other aspects of Central Asia's regional dynamics.

- It will undercut the rationale for Russia's attempts to reassert a security presence in the region and facilitate Russia's transformation from a postcolonial threat to a normal trading partner.

- With the threat from Russia reduced, it will diminish the sense of urgency with which states in the region now look to the United States and NATO for security.

- The opening of South Asian markets for Central Asian gas and oil will advance the cause of "multiple pipeline routes" and hence reduce Russia's control over the region's exports, even as it complicates (but does not eliminate) prospects for a major East-West energy corridor.

- The establishment of stable conditions in Afghanistan will sharply diminish the causes of tension among the states of Central Asia, specifically their concern to close their respective borders against terrorists, Islamic radicals, and narcotraffickers—who are often the same people.

What are the chances of such a positive turn of events in Afghanistan? Experience has made fools of most optimists on this issue. Nonetheless, a number of recent developments, which will be reviewed in detail in the oral report, suggest that chances are significantly better now than at any time since the end of the USSR. Let it be noted, in conclusion, that every state in Central Asia now places this as its number one security issue and the key to improved regional dynamics and well-being.

Uzbekistan's Perspective

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The growing international attention to the problems of the Central Asian region shows that the states of Central Asia have gained considerably in geostrategic importance following the USSR's collapse. The future of Central Asia requires new understanding of the region's history and an appropriate understanding of its role and place in formation of the new world order and both conventional norms and values.

When thinking about "Central Asia tomorrow" it is necessary to answer the following questions:

- How do we imagine the world tomorrow, and how will Central Asians represent themselves in this new world?

- What will the Central Asian region look like in the future, and what values and systems will prevail in the states in the region?

- How will Central Asia be involved in this new world, and what principles will dominate its development?

The answers to these questions worry not only people of the Central Asian region, but also in many respects are similar to those concerns, which arise in various parts of the world regarding the future of the global order.

The Central Asian piece of the new world mosaic has acquired a qualitatively new character. Central Asia does not play the main role in formation of a new world order, but events occurring now in the region have not only local importance, but to a large degree are also capable of influencing neighboring regions. For this reason, the Central Asian states are focused on both regional and global trends of modern development.

An essential feature of Central Asia is that it is a multiethnic and multinational region rich with cultures and heritage of different civilizations. Central Asia has a rich positive experience in the maintenance of equal conditions for all multinational groups living in the region, and the "Central Asian tomorrow" depends on the ability of the present and future generations to keep and to develop this position.

Understanding the Central Asian role in the new multipolar world is connected with the geopolitical importance and economic potential of the region. But at the same time, existing standards, conventional norms, and Central Asian values form an important base for the future contribution that the region is capable of bringing to Eurasia.

In Central Asia, the Islamic culture dominates, but the region's view of development of economic, political, legal, and social system tends to be secular in nature. The future of the its so-called Muslim world in many respects depends on how this orientation will be successfully realized. Uzbekistan does not want to repeat Russia's mistake in Chechnya, in which Russian suppression of Islam created the conditions for discontent and extremism in the North Caucasus.

The Republic of Uzbekistan not only plays a dominant role, but also for many objective reasons it bears responsibility for how Central Asia will enter the future world. The Republic of Uzbekistan is a focal point for centuries-old Islamic values culture and traditions. The important tasks of the present and future generations include correctly preserving these values and adapting existing traditions and heritage to the global civilized norms and values. Therefore, in many respects the Uzbek experience of state construction, the spiritual updating of a society, and the development of national identity for a growing new nation are unique.

The purposes and the principles to which the Republic of Uzbekistan adheres as it prepares for the future are simple, clear, and obvious. They include:

- Revival of its centuries-old cultural values and traditions with its rich spiritual and historical heritage.
- Separation of the historical past from distortions and tactical interpretation.
- Continuous search of their combination and synthesis of old norms and values with all advanced experience and new ideas.
- Balance of interests of various national, ethnic, and regional groups living in the country and maintenance of their real equality.

The revival and strengthening of Uzbekistan will serve as a pledge for strengthening and developing national minorities—all citizens of the Republic of Uzbekistan, irrespective of their nationality, ethnicity, and religion.

Each Central Asian state is unique. Despite this fact, everyone in Central Asia speaks of regional integration. It is too early, however, to talk about regional integration. Each of the Central Asian states is developing different national strategies and is moving toward different goals and in different directions. Civil society and democracy have developed in different ways and at various levels. Each state has employed a

different economic strategy that has taken it in diverse directions. The states endowed with rich energy resources hoped these resources would be the key to their success, but the process is slower than expected.

The Central Asian states have been discussing a regional security architecture, but a number of obstacles have emerged. The obstacles include: 1) the Central Asian states view their threats differently and apply different approaches and levels of attention to these threats; 2) each state possesses different levels of readiness and military capability which make a common security structure unrealistic in the short term although it has been discussed.

Uzbekistan has no illusions about the internal and external threats that it faces. The Uzbek military seeks to increase its forces, enhance its readiness, and broaden its military doctrine. Uzbekistan's current focus is protecting its borders. Ultimately, Uzbekistan's security would benefit most if the United States and Russia could work together in the region on areas of common interest.

Kazakhstan's Perspective
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Kazakhstan cannot change its geography. Its national security policy is dominated by the fact that it lies between Russia and China—between two different worlds—both of which are unstable and going through times of great change.

Kazakhstan's geopolitical strategy consists of the following five directions: 1) beyond the region—the West, with an emphasis on developing a relationship with the United States; 2) southern direction—Uzbekistan and Afghanistan; 3) northern and northeastern direction—Russia; 4) eastern direction—China; and 5) western direction—the energy controversies in the Caspian Sea. In all of these directions, Kazakhstan sees threats.

In the South, the chaos and instability in Afghanistan will continue to spill over into Central Asia. This conflict does not pose a direct military threat into Central Asia, however. The more real danger is the drug-trafficking and the flow of refugees into the region.

The Central Asian states must coordinate their attempts to resolve this conflict and stabilize Afghanistan. At the same time, Kazakhs are wary of their smaller neighbor (Uzbekistan) whose population overwhelms Kazakhstan. Kazakhstan's relations with Uzbekistan remain tense due to disputes over land and control over water.

To the North, the signs of a resurgent Russia, shaped by either nationalist or imperial motivations, are emerging. Putin's ascendance to power makes the situation more complicated and less predictable. Any indications of a resurgent Russia worry Kazakhstan that it will be one of Russia's first targets. Northern Kazakhstan is most vulnerable since Russians continue to outnumber Kazakhs. Kazakhstan is more important for Russia than even Belarus in terms of geopolitical interests. Despite the sovereignty and security guarantees given by five powerful states (the United States, Russia, China, France and United Kingdom), Russia poses a threat to the territorial integrity of Kazakhstan.

To the East, Kazakhstan has established a normal relationship with China. Although currently China does not pose a direct military threat to Kazakhstan, one should not ignore the possibility. The military threat itself can be defined in different ways, which are linked to the ethnic, demographic, economic, and political situation in China and its regions. For example, in Xinjiang-Uighur Autonomous Region, the external support of Uighur separatist tendencies could potentially cause ethnic conflicts between China and Kazakhstan. China will never allow the Uighurs to create a separate nation. The Uighur problem could cause problems for the oil pipeline that the Chinese plan to build across the region.

The Caspian has been the gateway to the West. After the breakup of the USSR, Kazakhstan sought alternatives to Russia's influence. This task became a key component of the development strategies of all the Central Asian states. The Caspian energy resources and their transportation to the world market became a means for Kazakhstan to develop viable alternatives. The "oil factor" has lead to the creation of an East-West energy transport corridor, and Kazakhstan intends to play a central role in this context. This will

promote not only economic development, but also regional cooperation in Central Asia. Initial regime pessimism about the Baku-Ceyhan pipeline has been replaced by a belief that the East-West corridor will strengthen the sovereignty of all of the Newly Independent States and will build stronger links between them. Control over its energy resources and the transport routes is crucial to Kazakhstan's geopolitical position. Although the pipelines will foster cooperation, because of the variety of interests in the Caspian, it is the "Balkans of Central Asia."

The potential for conflict is real but does not serve the interest of any of the littoral states, nor the international community investing in the region. However, a struggle for Caspian oil and the geopolitical influence in this region between the West and Russia cannot be ignored. The Russians increasingly feel excluded from the Transcaucasian region. An alliance between Baku-Tbilisi is at the center of a larger axis of countries: Ukraine, Georgia, Azerbaijan, Uzbekistan, and Kazakhstan. This "Transcaucasian corridor" seeks to exclude Russia from Transcaucasia and create a conglomeration of the former Soviet republics oriented toward the West. We may see a new policy emerge in Russia, however, in reaction to this Transcaucasian corridor that will lead to direct pressure on the Central Asian states and above all, Kazakhstan.

All the factors mentioned above, taken separately or considered together, have the potential to threaten the territorial integrity and the statehood of Kazakhstan. At present, however, they are more latent than real threats. Today in Kazakhstan internal security concerns are the dominant threats for Kazakhstan and for Central Asia in general. Internal insecurity will continue until the sharp contradiction between the economical necessity and the political possibilities in this region are addressed. One should recognize that the social-economic and political transformation has caused tremendous social difficulties and destabilizing social conditions.

Highlights From the Discussion

Russia's Role and Regional Politics

A variety of views were expressed on how the Chechnya conflict will impact Russia's strategy toward Central Asia and the South Caucasus. Some panelists argued that cooperation with the South Caucasian states "made sense" for Russia in order to bound the quagmire in the North with stability in the South. In contrast, several panelists declared such a shift in Russian policy to be unrealistic and that Moscow is more likely to continue to exploit opportunities to foment separatist activism, its most effective lever over these states.

- One discussant argued that President Putin is looking for a way to end the impasse and that the conflict in Chechnya had created conditions in which cooperating with Georgia and Azerbaijan served Russia's interests. Another regional panelist also commented on this significant rhetorical change in Georgia and Azerbaijan toward Putin, but cautioned that the general perception in the South Caucasian societies is one of uncertainty about Putin and fear of an increasingly vigorous Russia.

- A second panelist from the region added that a constructive role for Russia is highly probable. Russia needs peace in the South Caucasus to manage the situation in Chechnya, but the real question is whose peace will be acceptable. He posited that Moscow could build a stable situation in the region through a "Pax Russica" arrangement in which Russia would be preeminent.

- Among those who expressed a negative view on this issue, a panelist noted that no constituency exists in Russia which advocates a shift to a more constructive policy toward the Caucasus. Putin's rhetoric and personal desire alone cannot shift this policy.

Panelists offered a range of views on the potential for stability and regional cooperation in the South Caucasus if Russia minimized its presence in the region.

- Several panelists opined that many of the ethnic conflicts and separatist movements—for example, in Abkhazia and South Ossetia—would dissipate in the absence of external (predominantly Russian) support. Although another panelist believed that if left alone the South Caucasus countries could resolve their conflicts, he cautioned that a number of the problems—for example, Abkhazia, Chechnya, and Nagorno-Karabakh—have been created by the collapse of the Soviet Union and the politics that ensued. These problems will be difficult to 'reverse.' Another questioned whether Russia would accept a peace between Azerbaijan and Armenia that would minimize Russia's presence.

- A panelist from Central Asia believed that more conflict in the region would emerge if the Russians withdrew. But because this instability could have negative spillover effects in Russia, Moscow will not pull out of the region. Therefore, the regional actors seek to balance Russian presence with support from the West.

Discussants raised the question of how Russia would react if Turkey took on a more prominent role in the South Caucasus. Several panelists noted that Russia and Iran will be threatened by the prospect of a larger role for Turkey in the region. A panelist from the region opined that domestic constituencies in Turkey and Armenia would not oppose a Turkey-Armenia rapprochement, and that Section 907 has outlived its usefulness, becoming more of a burden for the region than a benefit for Armenia. Another panelist posited that today Azerbaijan would probably support Turkey-Armenia reconciliation, even though it had used these hostilities to squeeze Armenia and as a lever against Turkey.

There was also some disagreement over how the South Caucasus states should manage their strategic options. Several panelist agreed that these states should focus on distancing themselves from Russia by pursuing opportunities and relationships with each other and with other countries, such as the United States, Turkey, Iran, and Israel. Such a strategy would insulate them from Moscow's attempts to destabilize them. It was noted that Azerbaijani President Aliyev has pursued a balanced foreign policy strategy successfully.

Another panelist argued that none of the three South Caucasus states could hope to play "the big game of geopolitics" with Russia, Iran, Turkey, or the United States. Small countries—with or without oil—must focus on modest and defined foreign policy objectives. This panelist noted that the region should be thinking about how to decrease the role of external actors, arguing that the independence and security of the region will come through regional cooperation not the influence of external powers.

Uzbekistan

Control over its security and a Western orientation drives Uzbekistan's military policy. There is a sense of crisis on every side for President Karimov. Uzbekistan seeks to gain more control over its foreign policy, prevent manipulation by outside powers, and assume more responsibility for its security. The panelist from Uzbekistan argued that his country seeks to develop a regional security cooperation regime that could manage cross-border problems, but it recognizes that its neighbors do not have the same security concerns or control of their borders. The panelist also warned against expecting a regional structure to address security issues to be established in the near term.

The Uzbek Government assumes that Russia will remain assertive in the region, but Uzbekistan's predominate orientation will be to the West. Uzbekistan sees the West, specifically the United States, as a source of technology and foreign investment, but more important, it would like assistance for military training and leadership development from the United States. The Uzbek military, however, will continue to rely on Russia for equipment because it is cost effective. But Uzbekistan hopes to receive more assistance from the United States. The panelist reiterated that Uzbekistan's orientation will be increasingly toward the West, despite the fact the population is approximately 80 percent Muslim. The elite seek to establish a secular Muslim state that is linked to the West.

Panel IV
View From the Periphery

This panel explored how the major external actors view the new relationships that are unfolding between and among Central Asian/South Caucasus states or their neighbors.

Chairman: George Kolt
National Intelligence Council

Iran
Mohiaddin Mesbahi
Florida International University

Iran's perception and expectations of gains in the region are heavily tempered by its anticipation of strategic threats and losses. The inevitable centrality of Iran in shaping both the discursive and policy dimensions of the region's geopolitics, the international political economy of energy, and the geoculture of identity and ideological preferences, constitutes the complex web of dynamics within which Iran's conception of its policy and its "reading" of the key elements of the regional patterns are developed and articulated.

Five critical factors have shaped the Iranian conceptualization of the post-Soviet world:

- A self-perception of Iran's centrality as the natural political and economic actor in shaping the key geopolitical and economic patterns of interactions in the South Caucasus and Central Asia, or the Caspian Basin at large. This self-perception is derived from Iran's assets and liabilities as an "interregional linkage state," and its own internally inspired "legitimate" ambitions of being a powerful and self-respected regional player. The belief that all key decisions and their consequent dynamics have been and will be affected by Iran, either deliberately or by default, is the most important underpinning of the Iranian conceptualization and understanding of the regional patterns and developments.

- The "identity" of Iran as an Islamic revolutionary state, either real and self-described as the *Ummu'l qora'* (the Islamic Metropolise), or perceived and labeled as a "rogue state." This ideational factor has been at the core of the development of Iran's opportunities and constraints, and a key ingredient of the "threat model" employed by a host of otherwise divergent regional and extraregional actors in their assessment of and attitudes toward Iran. The complicated "reward structure" attached to this "threat model" in this region, like elsewhere, not only affects Iran's choices but further informs Iran's perceptions of regional dynamics and strategic patterns.

- The significance, if not the primacy, of relations with Russia as a strategic balancer (regionally and globally), if not partner, as a source of trade and arms, and as a partner in political and economic regional patterns. One might even observe, in view of Iran's policy in the region, especially in the North Caucasus and Tajikistan, that Tehran's regional policy has become increasingly "Russia centric." It remains to be seen whether the longstanding historical mistrust and the absence of real structural mutual interests, which traditionally informed Iranian attitudes toward Moscow, will be replaced, under the increasing pressure of the United States and the threatening pattern of regional "alliances," by a solid strategic convergence of vision, interests, and partnership with a more assertive Russia.

- The future nature of US-Iran relations is among the most important extra regional developments with strategic impact on key security and economic patterns in the South Caucasus and Central Asia in this decade.

- The specific historical, ethnic, ideational, and geographical factors that determine the nature, degree, and scope of the bilateral and multilateral ties and interactions between Iran and the new, independent states in the region. Different dynamics, for example, affect Iran's relations with Tajikistan and Turkmenistan. These bilateral differentiations, while significant on their own terms, nevertheless are all heavily affected by the above-four foundational factors.

Objectives and Perspectives

The central Iranian foreign policy objectives are:

- To ensure that the uncertain dynamics of the South Caucasus and Central Asia will not undermine Iran's national security and territorial integrity (that is, ethno-territorial conflicts such as Nagorno-Karabakh).

- To be actively engaged, through bilateral and multilateral ties, in shaping the geopolitical environment of the region in terms most favorable to Iran. Iran will oppose politico-military alliances that deny Iran meaningful participation in regional dynamics.

- To ensure, at a minimum, the involvement of Iran in the emerging structures of the energy sectors in the Caspian Basin and, optimally, to position Iran to become the key logistic linkage of the Caspian Basin to the outside world.

- To avoid and bypass containment strategies through simultaneous pursuit of bilateral ties to all the new Central Asian states, in addition to initiating or joining multilateral or tripartite schemes, not only with regional states, but also with extra regional players.

- To desecuritize Islam and Iran's ideological image by utilizing the presumed influence of the Irano-Islamic cultural milieu; capitalizing on the "new" democratic Iran, and downplaying narrow ideological Islam, in favor of an "intracivilizational" interaction and dialogue.

The most seriously perceived long-term strategic threats to Iran are the US-led or encouraged regional, political, and economic coalitions that exclude Iran. Iran fears that such regional schemes will eventually lead to military alliances, organized around what Tehran describes as the notion of "US vital national interest in the Caspian," and made up of Iran's contiguous neighbors such as Azerbaijan and Turkey, possibly with an eager extraterritorial antagonist, such as Israel. In this connection, relations with Azerbaijan, given obvious and complicated ethno-territorial, historical, and religious affiliations, will remain critical. In Central Asia, Iran's main regional antagonist is perceived to be Uzbekistan; the champion of "antifundamentalism" whose regional hegemonic ambitions against Iran's civilizational kin in Tajikistan could be reinforced only by its politico-security cooperation with the United States in the containment of "religious extremism."

Iran's natural competitor, both unilaterally and regionally, is Russia. Yet, the overwhelming impact of the US role has turned Russia into a key regional partner. A cautious close relationship with Armenia has been designed to provide the balancing measure, with a potential tripartite coalition with Russia and Armenia as a response to the US-Turkey-Azerbaijan-Israel line on the horizon.

Iran will continue to count, cautiously, on the "positive neutrality" of Turkmenistan, with the expectation that through both bilateral ties and Russian pressure, Turkmenistan will not jeopardize its relations with Iran in pursuit of a US-centric policy. Iran's concern over the future course of Turkmenistan has a broader South Asian angle, as Pakistan and a Taliban-led Afghanistan have been competing with Iran as an alternative source of energy transport.

In Central Asia, an Uzbek-centric security arrangement—recognized and supported by the US/NATO, and organized around the notion of containment of religious extremism—is being pursued by Tashkent. If the West accepts and supports Uzbekistan as the center of a regional coalition, it can expect a loose tripartite Russian, Tajik, and Iranian coalition as a distinct alternative response. The Tajik-Iranian defense treaty, though largely symbolic, is indicative. China, already in favor of a closer security cooperation in Central Asia, will favor the latter to avoid a strategic US presence on its border. Furthermore, China's increasing political, military, and economic ties to Iran have been underscored by Beijing-Tehran-Moscow conceptual convergence of interests in opposing perceived US "hegemony," not only globally, but regionally, in Central Asia and the Caucasus.

The rationale that drives these possible patterns of coalitions, and the glue that sustains them lacks, with one exception, serious, meaningful and positive ideological or identity content (that is, coalition of "democratic," "pan-Islamic," or "pan-Turkic" states). The rationale remains mostly materially motivated, but these are also traditional geopolitical calculations in balancing and "bandwagoning" (that is, distance from neighboring hegemonic Russia and proximity to the distant winner, the West and the United States), and the political economy of access to energy, capital, and markets.

There is thus no serious ethnic, religious, or ideological source of identification strong enough for coalition-building and its sustenance, except a vague, but powerful, preference for secularism over a fundamentalist/Islamist alternative. This dichotomous identity struggle between "secularism" and "Islam," real or manufactured, has become a critical discursive rationale not only for exclusion/containment of Iran, but more significantly, as a conduit to connect domestic politics and security with regional security. Domestic repression of the opposition, especially in Central Asia, is mostly theorized and implemented via the "domestic-external Islamic threat," (at times complemented with drug trafficking), and regional security schemes and justification for military intervention are discussed and pursued in the same vein.

The process of securitization of the domestic polity through a deliberate reduction of regime legitimacy to a fight against "internal/external extremism" may serve the ruling elite in the short run. In the long run, however, the enormous underdevelopment of the region, increasing corruption, and the incredible economic gap between the elite and the public pose serious domestic security threats to existing regimes; too close and uncritical identification of external actors will inevitably lead to the unintended consequence of sharing the blame for existing repression, and paying the price in wealth, security and prestige. This dangerous reduction has camouflaged the serious impact of absence of structural legitimacy at home as one of the long-term security problems in the region.

In this context, and in view of the impact of the ideational on US-Iranian relations, the recent changes in Iran and the relative opening in Washington-Tehran relations may constitute the harbinger of defusion of securitization of Islam in the region as a whole. The reward structure attached to being distant from or opposing Iran has been part of the foreign policy and security socialization and calculations of the regional actors since the collapse of the Soviet Union. A drastic positive change in US-Iran relations will thus be among the most dramatic structural shifts in those calculations, and their resultant geopolitical, geoeconomic, and geoideational patterns of cooperation and discord in this decade.

Alternatively, the continuing or even worsening of US-Iranian relations will lead to fluid but nevertheless discernible rivalry in the region. What makes these divergent scenarios more critical is their organic connections with, and impact on, the Middle Eastern and Southwest Asian patterns of security in which, for better or worse, Iran, geopolitically, geoeconomically, and ideationally constitutes the key linkage.

Turkey, Middle East, and Israel

John C. K. Daly
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In the emergent post-Soviet power vacuum in the Caucasus and Central Asia, Turkey and Israel have emerged as both trading partners and potential "models" for development. For many emerging nations, the two represent models to emulate and a warning to heed. The one common thread running through both is energy.

Turkey emerged from the collapse of Communism in the USSR in December 1991 with both opportunities and barriers to establishing historic linguistic and cultural links. For Israel, the collapse of Communism meant both an end to the Soviet tilt toward Arab nations along with an opportunity for highly educated Russian Jewish *refusniks* to reach Israel, enriching Israeli society with their talents. Both countries remain America's most steadfast regional allies.

Both countries have resources that interest the South Caucasus and Central Asia, most notably, their military power. In the decade since the collapse of the USSR, Turkish military academies have trained more than 4,000 military officers from the Caucasus and Central Asia. As these officers move into middle

management positions, former Russian influence is being supplanted by the secular Kemalist influence. Israel has an advantage in its infusion of emigres since the collapse of the USSR; this influx has given Israel an economic trading "edge" in the CIS. Turkey, for its part, has long-established links of language and culture stretching from the Balkans to Xinjiang.

Some countries in the South Caucasus and Central Asia have a resource of immense interest to both Turkey and Israel: inexpensive energy reserves. Both countries are energy poor, and look at these reserves as a proximate, non-OPEC source of supply. In this, Turkey has immense influence over two of the four potential export routes. In the cases of Baku-Novorossiisk and Baku-Supsa, Turkish influence alarms Russia, which sees an American-Israeli-Turkish "zone of influence" replacing the Soviet one. Turkey finds itself in direct competition with Russia for energy transit routes, and Turkey will continue to block the use of the Bosporus Strait for the export of Caspian oil. With a new government in Russia, it is unclear how strongly Western inroads into these regions will be resisted.

Last but not least, both Turkey and Israel offer successful models to the newly emergent nations of the Caucasus and Central Asia of how to deal with internal insurgencies. Israel's handling of domestic Muslim fundamentalist terrorism and Turkey's successful suppression of its Kurdish insurrection offer notable examples of how to control unresolved separatist tendencies. From Georgia's Abkhazian separatists to Uzbekistan's Hizb al-Tahrir, and from Kazakhstan's restive Russian minority to Kyrgyzstan's southern border troubles with neighboring Tajikistan, these states look at Turkish and Israeli success with admiration.

Both Israel and Turkey have great potential for expanding their influence in the region. Their ultimate success, however, will be determined by a complex skein of energy and military issues within the larger context of American-Russian bilateral relations, as the guarantors of their respective client states.

China

Ross Munro
Center for Security Studies

Shying away from any neat conceptual framework, one can argue that China's strategy toward Central Asia is driven by five factors.

Security Concerns

China has an unrelenting wariness of Central Asia's potential to serve as a base of support for Islamic extremism and separatist movements, most notably for the restive Uighurs of Xinjiang. But the alarm that characterized the views of many Chinese officials in the 1989-92 period has ebbed as China has gradually and successfully pushed for tighter restrictions by the governments of the Central Asian Republics on domestic groups that sympathize with dissidents inside China. For example, a visitor to Almaty in the autumn of 1999 reported that pro-Uighur groups seemed to be led by ineffective poseurs and, in one case, seemed to be a creation of the Kazakh secret services. Tiny underground groups are said to exist but seem very limited in what they can do. Nevertheless, China continues to keep a close eye on this potential threat, as any official communiqué between it and a leader of a Central Asian state will attest.

Publicly, Central Asian leaders accept China's assertions that its long-term strategic goals vis-a-vis the region are unambitious and benign. But, looking just at Kazakhstan, perhaps as important to China as all the other Central Asian states combined, one finds that private and candid views, at least in Almaty, are exactly opposite the official stance. This is perhaps because of rapidly rising tensions over oil and water during 1999. Whether the interviewees were high-ranking Kazakh Government officials, academics who had been anointed as "friends" of China or hard-nosed pro-Russian strategic thinkers, the author found two schools of thought. The first is that China's long-term intention is to occupy physically and militarily at least a significant portion of southern Kazakhstan. The more "moderate" school holds that China intends only

to wrap Kazakhstan so firmly inside its sphere of influence that it is no longer an independent actor, particularly vis-a-vis energy, natural resources, and other economic issues. Interestingly, not a single interviewee expressed any hope that the US could or would play a significant role in helping Kazakhstan withstand Chinese pressure.

Russia

China has been very careful about pressing its huge advantages in Central Asia to the full. The main reason is that China's Central Asia policy today is in many ways subordinate to, and indeed an integral part of, its Russia policy. With admirable adroitness, rising China is fashioning a relationship with declining Russia that will leave China as the undisputed senior partner. Giving Russia "face"—treating it as if it is not in decline—is a central part of Chinese policy. China makes every possible effort not to embarrass Russia and confront it with its weakness, particularly in Central Asia, where China is quite willing for now to acknowledge Russian primacy. All the while, China slowly increases its influence in the region and avoids making any significant long-term concessions to Russia in the region.

The long-term trend is clear. Increasingly, China has a free hand in the Russian Far East and parts of Siberia. And, although there has not yet been a clear test, China now seems to enjoy an effective veto over Russia's Asia policy. Both trends can only augment growing Chinese influence in Central Asia in the long term.

Economics

Since it became less concerned in the early 1990s over potential threats from the Central Asian states, Beijing has viewed them, especially Kazakhstan and Kyrgyzstan, as both potential markets and sources of imports particularly, of course, for Xinjiang. Part of China's development strategy for Xinjiang includes closer economic ties to Kazakhstan and the other Central Asian states, and efforts are even made to give Xinjiang traders a "piece of the action" in exports of goods manufactured on China's east coast.

For more than a decade, there has been plentiful rhetoric about a "New Silk Road" of highways, railways, and pipelines linking China with the Central Asian states and ultimately, in some cases, Europe itself. Progress has been slow but roads and rail lines continue to be built.

China continues to see the Central Asian states as an ideal market for the inexpensive consumer goods that it produces, and indeed, markets in Almaty and Bishkek are full of more Chinese goods than modest trade data suggest. This is due in part to smuggling, poor recordkeeping and third-country transit (on inquiry, it turns out that many Chinese goods on sale in Kazakhstan are imported via Kyrgyzstan, which has a much "softer" border with China than does Kazakhstan).

The "soft border" policy of China still has yet to be extensively discussed. As China reached border demarcation agreements with the Central Asian states during the 1990s, these were rightly cited as evidence of China's desire for stable borders. However, what went largely unremarked was that China demanded a quid pro quo—the drastic reduction of restrictions on the movement of people and goods in both directions. Naturally, this overwhelmingly and disproportionately benefited the larger and economically robust China. It was this new "soft border" policy that led to an initial slew of reports in the mid-1990s about floods of Chinese migrants and goods. Although many countries complained, apparently only Kazakhstan succeeded—in 1994—in re-instituting significantly more stringent regulations. This was probably only because China had been shaken by disturbances in Xinjiang in 1993 and saw considerable virtue in this particular instance in retreating from its "soft border" policy.

Energy

Just as China's Central Asia policy today is in many ways subordinate to its Russia policy, China's Central Asia policy must also be viewed as a part of its worldwide energy strategy. Fearing that it is becoming increasingly vulnerable strategically as its ocean-borne imports of oil inexorably increase, China is determined to secure at least a significant portion of its oil supply from countries on its land borders, starting with Kazakhstan. One need only recall the extensive material relating to China's purchase, or right to purchase, two major oil fields in the eastern Caspian and its widely publicized commitment in 1997 to

build a lengthy and expensive oil pipeline to transport oil from those and other fields to Xinjiang and then to east-central China. The conventional wisdom continues to assert that the economics of that pipeline are such that it will never be built. Announcements in mid-1999 that China and Kazakhstan had halted talks over the pipeline were universally viewed as accurate. This was not the case. According to extraordinarily well-informed sources in Almaty, negotiations have never ceased. The negotiations are tense and at times bitter, but both sides desperately want the line to be built for both economic and strategic reasons. I predict the pipeline will be built and that construction will start within two years. Already China is constructing and improving what will be the domestic Chinese section of the Kazakh line.

Water

Closely related to the energy issue is water. A little-noticed but extremely important conflict has been growing between China and Kazakhstan over China's intentions to divert water from the Irtysh River to irrigate newly opened cotton fields in Xinjiang. Although no one agrees on the exact numbers, it is generally agreed that China has finished construction of an irrigation canal that could potentially reduce the water flowing into Kazakhstan by 40 to 60 percent. The Kazakhs interviewed in the autumn of 1999, inside and outside government, were in what could best be described as a state of "controlled panic" over the situation. Inside Kazakhstan, some six to eight million Kazakhs live in the Irtysh basin or depend on its water for drinking, irrigation, and hydropower. The Chinese have indicated that they will reduce the flow of the Irtysh by "only" 10 percent, a figure that few Kazakhs find reassuring. Two knowledgeable Kazakhs argued that the Chinese, without ever being explicit, have linked the water issue to the pipeline issue—hinting that Kazakhstan should make concessions on the pipeline negotiations if it wants to be certain that China will not visit a water crisis on the country.

Concluding Observations

Careful readers may have noticed the contradiction that has crept into this presentation. The presentation began by asserting that China takes a patient, long-term strategic approach to Central Asia, but concluded by describing two issues—oil and water—that are driving China toward a short-term assertion of its national interests. It will be interesting to observe whether China can pursue these interests without offending Russia. The evidence so far suggests that China will succeed in doing so.

Pulling back the strategic focus, China may well be at a strategic crossroads itself that will impact its future strategy toward Central Asia as well as Russia. There is currently a debate under way in the Chinese media over how much of its developmental resources China should earmark for development of its western provinces. This seems to be part of a larger debate or struggle that has often preoccupied China over the centuries: the maritime school versus the continental school, the merchants of the south and east versus the soldiers and bureaucrats of the north and west. This in turn relates today to a debate over how many resources and how much political capital should be expended on conquering Taiwan.

Russia

Robert Legvold
Columbia University

Russia has no single, integrated strategy toward either the South Caucasus or Central Asia. Indeed, Russia never has and likely never will have a single, integrated strategy toward either region due to the different challenges and opportunities presented by each.

The fundamental reasons for this are fourfold. First, the number of domestic actors governing Russia limits its ability to develop a common approach. Foreign Minister Primakov briefly imposed a sense of order during his tenure. Second, crosscutting purposes also limit efforts at coordinating foreign policy. Russia is still trying to balance its security needs with its economic interests. Third, Russia has had difficulty reconciling the objectives it pursues in these two regions with its objectives in the wider world. Fourth, relationships with these countries have ramifications that Russia has not adequately prepared for.

Consequently, Russia's policy is inchoate and evolving. It is occasionally incoherent, has shifted almost 180 degrees during the past decade, and could easily shift another 180 degrees in the near term.

From 1991 to 1993, as Russia sought to recover from the shock of the USSR's dissolution, it reduced the burden imposed by the struggling Newly Independent States. Russian reformers such as Gaidar tried to cut loose the turmoil-ridden Central Asian states as an economic burden. Foreign Minister Kozyrev did the same in terms of foreign relations. During this period, "freebooters" in the Russian Government (Parliament, regional governments, the military) had control of Russian policy toward Central Asia and the Caucasus.

By 1993-94, Russian policy had shifted to one of defending Russia from potential dangers in the region and to restoring Russian influence (though with no desire to restore the Russian Empire). Russia sought to ensure that no outside power would predominate in the region and abrogated to itself responsibility for keeping order within its limited means. This policy had crystallized by 1994 into a dual policy of securing economic advantage vis-a-vis the two regions and winning the strategic competition in the region with the West in general and the United States in particular.

Russia's power over the region derived from its superior strength in relative terms, from its markets, from its control of regional pipelines and transport networks, from its ability to simultaneously create threats for those states that refused to cooperate (through subversion and military aid) or reinforce the security of the more compliant. In addition, Russia could often benefit from the outlook and orientation of the Soviet-era elites still holding power in Central Asia.

Economically, Russia had the power to support and keep truces in the conflicts in the region, but lacked peacemaking abilities. Resentment of Russian historical dominance also deprived Russia of its legitimacy and capacity for leadership. Russia's overall weakness as a state also led to growing impotence and a lack of the means to achieve its ends in the region.

Three conclusions follow, none of them yet much noticed:

- First, to the extent that Russia remains engaged in Central Asia and the South Caucasus, it is likely to rely on economic sticks rather than carrots, attempting to use the leverage of pipelines, debt, and Russian markets to secure the economic outcomes that its seeks. For the rest and with powers from outside the region, Russia, if it chooses to remain engaged, is likely to compete on security terms, offering the Central Asians, for example, surer protection against the threat of Islamic extremism than the West can muster.

- Second, and notwithstanding the first point, the greater danger is not a Russia determined to restore its sway over these two regions, but a Russia that begins to walk away from the problems of these areas. There is an isolationist mood stirring among both the public and elites when it comes to the burdens that a constructive, large-scale Russian role in the troubles of Central Asia and the Caucasus would impose. The prospect of Russia's defecting from responsibility for peace and stability in Central Asia and the South Caucasus goes unnoticed by most governments in these regions, which continue to see more coherence and malevolence in Russian policy than is warranted.

- Third, and somewhat in contrast with the last point, at the moment, the strategic rivalry stirring between Russia and outside powers in the Caucasus and Central Asia tends to reinforce another trend in the international relations of the post-Soviet states: that of polarization among them. Competitive alignments such as GUUAM (and several others), on the one side, and Russia's alignment with Belarus, Kazakhstan, Kyrgyzstan, and Armenia, on the other, risk creating new sources of tension, complicating existing rivalries.

At the moment, these are only incipient strategic alignments, but they have a destructive potential that bears watching.

South Asia

Juli A. MacDonald
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These remarks are based largely on extensive interviews and discussions with strategists and policymakers in Pakistan and India during the past year. They will focus on how India and Pakistan are thinking about Central Asia, as I found little interest in the South Caucasus during my research.

Central Asia is prominent in the thinking of Indian and Pakistani strategists today, despite a tendency in the United States to discount South Asia's role and influence in Central Asia because of its lack of accessible, contiguous borders to the region. The historical and cultural ties between Central Asia and South Asia remain strong and have a particularly strong resonance in northern India. This year, the two regions will celebrate their cultural affinity with the 500th anniversary of the Moghul State in India. Indians seeks to use this celebration to strengthen cultural and scientific relationships with Central Asians. Moreover, India's relationship with Central Asia was strengthened by close ties during the days of the Indo-Soviet relationship, when thousands of Indians were educated and trained in the region, particularly in Tashkent.

Both India and Pakistan squandered opportunities to develop closer relations with the new Central Asian states in the early 1990s. Neither state had much to offer the new governments in the way of technical assistance, trade, or aid, which is what the new states needed most. However, the circumstances have changed since the early days of the post–Cold War era. Today Central Asia is a critical component of Indian and Pakistani thinking as both countries reassess the fundamental changes in their strategic environment. I see four areas in which Central Asia factors into India and Pakistan's thinking.

First, Central Asia is a component of the competition in South Asia. For both countries, Central Asia is an extension of their strategic universe. During my time in New Delhi, Indian policymakers repeatedly referred to Central Asia as their "extended strategic neighborhood" and as a region with which they share a range of strategic interests. For Pakistanis, Central Asia is important because it gives Pakistan what they referred to as "strategic depth." In this context, India and Pakistan are competing with each other in Central Asia for influence, for political support for their position on issues such as Kashmir, for energy in the future, and for access to markets.

Pakistan had hoped that a combination of Islam and proximity would give it an advantage over India, but Islam proved to be a liability for Pakistan with current Central Asian governments when it began supporting the Taliban in Afghanistan. Pakistan is widely regarded as the training ground and supplier of the Taliban and other nonstate militias in the region. In this context, Pakistan's relatively favorable geographic proximity has been neutralized by the ongoing instability in Afghanistan and in Pakistan itself. It is hard to see how Pakistan as a state will project influence effectively into Central Asia under these conditions, but it is clear that some nonstate groups in Pakistan—particularly Islamic groups and narcotraffickers—and even factions of the military are and will continue to make the effort. These activities are largely destabilizing for the region. In contrast, Indians in many institutions think deeply and coherently about Central Asia as part of the emerging competition. Central Asia has captured the attention of strategic thinkers, military planners, energy companies, and many others. It is not simply by chance that India today sends some of its most seasoned diplomats to represent it in Central Asia.

Second, Central Asia is seen as an arena that is critical to larger geopolitical competitions and realignments. The Indian strategists who are looking beyond India's borders see a number of threats and opportunities in Central Asia. First, Indians are thinking about how to contain China in Central Asia. They see the Chinese threat encircling India, as China strengthens its influence in Pakistan, Myanmar, Bangladesh, and Central Asia, and some Indians believe that China's growing economic and political penetration in Central Asia, especially in Kazakhstan, must be countered before it leads to strategic realignments, possibly alliances, that might threaten India's interests. In this context, Uzbekistan was referred to as the "key to the region," and India has taken steps to cultivate close ties to Uzbekistan. President Karimov plans to visit

India in May 2000. Second, India and the Central Asian states share an interest in controlling the highly unstable and unpredictable situation in and around Afghanistan and Pakistan from which instability could cascade in all directions. India is looking to Iran and to Central Asia—Uzbekistan in particular—to contain this chaos in the center. Third, Central Asia is considered the northern border of an emerging east-west economic corridor that connects Israel, Turkey, Iran, India, and East Asia, which eventually might replace the north-south orientation that predominated during the Cold War. Finally, Central Asia is seen as a conduit to the United States. It is a region where Indian and US interests have the potential to intersect in areas such as countering Chinese influence, containing terrorism and the drug trade, and promoting stability. But US and Indian interests could also come in conflict, particularly in the area of Central Asian energy development and transport for South Asian markets, in which, for India, Iran almost certainly has to play a central role.

A third aspect of South Asian interest in Central Asia is economic. Both India and Pakistan seek to develop stronger trade relations with the Central Asia states. India's pharmaceutical companies and hotels have built a strong presence in the region. Pakistani traders are increasingly active across the region, and they will benefit from the Economic Cooperation Organization's efforts to lower trade barriers among its members. Pakistan also sees itself as a potential trade route for Central Asian states by offering them access to the Arabian Sea.

Finally, energy will be a major driver of relationships between Central Asia and South Asia. India and Pakistan—with their burgeoning demand for gas—are natural markets for Central Asian gas, and the governments in both states have high expectations of obtaining Central Asian energy, from Turkmenistan in particular, but also from Kazakhstan and Uzbekistan. In a decade, India in particular will be importing energy from multiple directions. Central Asia is considered a key component of India's energy strategy to mitigate its dependence on the Middle East over the long term.

Both states seem to be realistic about the prospects for pipelines. I found no one who felt that a pipeline through Afghanistan is a viable option, even in the long-term. Iran offers more promise as a transit state for Turkmen gas. Some Indians suggest that the Afghan pipeline be shifted a few hundred kilometers west, so it can link into Iran's existing north-south infrastructure. India, Iran, and Turkmenistan signed a Trilateral Agreement in 1998, and last year a tripartite working group with India, Pakistan, and Turkmenistan also signed an agreement in an attempt to pave the way for such a pipeline. But Indians cite two problems that impede the construction of any pipeline emanating from Central Asia or Iran: First, the "the Pakistan problem", and the vulnerabilities that suggests, must be addressed. The second problem is US sanctions on Iran. If Iran is the key transit state, which is likely to be the case, US sanctions on Iran limit the funding options available to build a pipeline, even if the Indians and Pakistanis can agree to cooperate. In this sense, Indian strategists complain that US sanctions on Iran are a significant impediment to a broader India-US strategic dialogue.

Indians have a late start, but they are seeking to develop a presence in Central Asia's energy sector. For example, several years ago it teamed with the Chinese Natural Gas Exploration and Development Corporation to develop a small field in Kazakhstan. The Indians are also exploring the possibility of importing electricity from Kyrgyzstan, which has an excess of hydropower. This scheme would probably involve transmitting the power across Chinese territory.

For all of these reasons—South Asian competition, larger geopolitical considerations, economic interests and energy—South Asia, particularly India, is likely to be an important player in Central Asia in the next decade. India's relationships with the Central Asian states will be multifaceted, based on shared strategic interests, and part of a broader Indian strategy in Eurasia. Pakistan also will be involved, though at this moment it is hard to see the outlines of a coherent Pakistani strategy. Currently, Pakistan is viewed more as a threat to Central Asian stability than as a constructive player.

Europe

Roy Allison
Royal Institute for International Affairs

The focus of concern for the EU in the region has been the South Caucasus, which is perceived to impinge on European interests far more directly than developments in Central Asia, and can even be viewed as the European part of the CIS. The EU is extending its efforts at political dialogue and support for international measures aimed at conflict resolution and regional cooperation in the South Caucasus. However, these efforts are only weakly reflected in EU policy toward Central Asia, which is more distant from direct European concerns. The EU cannot act coherently as a single state actor in developing a strategic view on the region. But the EU has a considerable agenda for the region and could go further to adopt a common position within its Common Foreign and Security Policy (CFSP) for at least the South Caucasus.

Three phases in EU policy and thinking may be identified:

- *1992-98.* The strategy was based on bilateral Partnership and Cooperation Agreements (PCAs). The hope was that the FSU countries had the possibility and political will to follow the East-Central European countries in the direction of Western Europe. A European space—a network of states bound together by contractual obligations and common values—could be extended eastward. Regional cooperation was emphasized through the Tacis and Transport Corridor Europe Caucasus Asia (TRACECA) projects.

- *1998–June 1999.* In this period, the EU better understood the difficulties of unresolved conflicts and reform efforts in the region and developed a much more political approach. Conditionality began to affect policy, although the term was not used. Interest also grew in the second pillar of the PCAs—political dialogue—and this was initiated with Georgia. The EU later welcomed the accession of Georgia to the Council of Europe. Political dialogue, as set out in the PCA treaties, is intended to bring about an increasing convergence of positions on international issues and to increase security and stability in the region.

- *Since June 1999.* At the Luxembourg quadripartitite summit for the signing of the PCAs with the South Caucasus states, they were put on notice by the EU that it would not support the status quo by providing generous amounts of aid. Action and assistance are now viewed as incentives for positive change. EU officials are now reflecting on what kind of dialogue is needed and whether the EU needs more active engagement in the region. A new approach to Central Asia is likely also in 2000.

EU officials favoring greater priority than previously to the South Caucasus region can argue that: 1) The EU is expanding and the future of the South Caucasus will affect the interests of Turkey, Bulgaria, and Romania; 2) The prospects for the Chechnya and Nagorno-Karabakh conflicts, particularly the danger of broader regional destabilization, emphasize that EU priorities must include conflict resolution; 3) Caspian gas is important for European energy strategy. Turkey will be a major conduit of gas onward to Europe and not just as a market for gas. The Shah Deniz, other potential new Azerbaijani gasfields, and established gasfields in Turkmenistan together constitute a vital strategic interest for gas-hungry Europe. The gasfields further reinforce the importance of the trade and energy transport corridor supported by TRACECA and the Inogate and designed to bypass Russia by passing through Georgia, despite the fact that the EU continues to declare its support for multiple pipeline routes chosen on a commercial basis; 4) European companies also wish to invest strategically in the energy sector of the Caspian states; 5) The Caucasus states are also transit routes in a negative sense—for drugs and illegal goods—and this has interested these countries in the third pillar of the PCAs concerned with justice and home affairs. This issue is of particular interest to those European countries affected by the drug trade.

But in fact the PCAs are not working as they were originally intended, and it could be argued that the EU should follow its Northern Dimension initiative with a Southern Dimension—a wide regional policy—which involves trade, investment, energy, transport, legislative approximation, and counternarcotics.

EU Policy on Conflict Resolution and Regional Cooperation

The 1999 Luxembourg declaration of the EU and the South Caucasus states reflects the EU view that the threat to European security posed by instability in the Caucasus has, if anything, been increasing, and that the root cause of many of the problems facing the three republics is the stalemate over ethnic conflicts. EU officials argue that the present stalemate has aggravated humanitarian problems and has tended to impede the development of democratic institutions and the market economy. This has reinforced these states' reliance on international assistance, while at the same time rendering that assistance less effective. It is believed that actions aimed at enhancing regional cooperation and post conflict reconstruction offer the best option for progress on both confidence building and economic recovery. The EU considers that its assistance should increasingly be related to conflict resolution and subsequent normalization, as well as to the political obligations of the PCAs and economic obligations with international financial institutions.

In practice, EU efforts at conflict resolution can only complement and reinforce international mediation through the OSCE and UN. The EU supports, for example, the Minsk Group on Nagorno-Karabakh and the Friends of Georgia group. It also has proposed specifically that railways linking the countries (Baku-Nakhichevan, Yerevan-Julfa, and Abkhazia-Tbilisi-Yerevan) be re-opened to promote intraregional cooperation and build confidence among the parties to the conflicts.

It is believed that EU assistance in the field of regional cooperation should be coordinated with other policies and cooperation initiatives (such as those for the Black Sea, the Balkans and Central Europe) and extended westwards. Energy is viewed as an important factor for integration; the EU pays particular attention to the promotion of international cooperation in this domain. The EU has discussed the US idea of a Caucasus Cooperation Forum, but considers it problematic if the countries select projects to be funded by donors, since these may not be the best projects. This whole issue could be taken up between the EU and the United States in the transatlantic dialogue.

EU cooperation with Central Asian states varies from state to state and is less likely to be an active part of the CFSP than such cooperation with the South Caucasus states. PCAs are in force with Kazakhstan, which seems open to cooperation; Kyrgyzstan, which is sympathetic to European affairs; and Uzbekistan, where export and import controls create problems. Turkmenistan's PCA is not yet in force. Tajikistan lacks a PCA and the EU cannot work there for security reasons. But the EU has launched projects on drugtrafficking in Central Asia, and the Caspian states of Central Asia are important for the overall Eurasian corridor concept and the flow of energy, supported by TRACECA and other EU initiatives.

Highlights From the Discussion

Iran's Role

The US-Iran relationship is a key driver of regional dynamics. Panelists and Discussants explored how the strained US-Iran relationship shapes regional dynamics and how this would change if, following a rapprochement, Iran is no longer treated as a rogue state. Several panelists and discussants noted that one consequence will be the flow of Caspian and Central Asian energy through Iran. It is unclear how such a shift in US-Iran relations will change politics in the Middle East, Central Asia's views toward Iran, and Iran's relationship with other major powers, such as Russia, India, and China. The discussion revealed that there has been little attention beyond sanctions to assess the threats and challenges of the new strategic environment that will emerge when Iran returns as a key actor.

Iran's relationship with Russia remains an enduring north-south axis. The Russia-Iran relationship reflects shared strategic, political, and economic interests under current conditions (that is, US sanctions). But panelists were careful to point out several difficulties in their relationship. For example, Iran competes directly with Russia for transport routes for Caspian energy, and Iranian goals and sympathies differ radically from Moscow's in Tajikistan and Chechnya. Tehran has softened its approach toward Tajikistan and muted its reaction to Chechnya to gain Russian assistance with its nuclear power program. Views were mixed about how US-Iran normalization might affect Russia-Iran relations. Several discussants assessed that Russia is generally nervous about a potential US-Iran rapprochement. Panelists argued that US-Iran normalization could deepen Russia-Iran ties. If sanctions were lifted, Russia could pursue a closer relationship with Iran, without worrying about irritating the United States.

Iran's label as a rogue and revolutionary state has hindered its ability to be a serious actor in these regions. A panelist argued that ideological rhetoric, which has dominated the discourse in both regions during the past decade, does not reflect Iran's policies toward Central Asia and the South Caucasus. He notes that "Iran's foreign policy toward ideology has been fundamentally pragmatic." He cited several explanations for this pragmatic approach: 1) geopolitical interests have prevailed in Iran's foreign policy; 2) Iran recognized that it could not communicate its revolutionary messages to the large Sunni populations; and 3) Iran's flirtations with ideological policy at the start of Tajikistan's civil war faded away quickly, because of internal divisions in the conservative party. A discussant observed that Iran's policy toward Afghanistan has evolved from a sectarian policy to a *realpolitik* strategy in which Iran now supports anyone who is anti-Taliban. He posited that Iran is pursuing a foreign policy to guarantee its borders, not to support Shiites.

One discussant noted that Uzbekistan and Azerbaijan have had complicated relations, at best, with Iran since independence, because of Iranian support for the United Tajik Opposition and for opposition leaders in Azerbaijan. A panelist described Iran's policy toward Azerbaijan as a tit-for-tat approach, in which both sides are responding to what they perceive as threats on the other side. In terms of domestic politics, Iran has adopted sensible policies to deal with its sizable Azeri minority, allowing Azeris to attend their own schools and to speak Azeri. He noted that such policies reflect the fact that the Azeri population control a number of industrial sectors in Iran, but it also illustrates a coherent and sensible policy. For Uzbekistan, Tehran's reconsideration of its Tajik policy and a shift toward support for anti-Taliban forces has created common objectives.

The EU and South Caucasus

The European Union acts tactically, not strategically, in the South Caucasus. A panelist explained that EU's attention has been diverted from the South Caucasus to the Balkans, which has become the primary foreign policy concern of the EU during the past two years. The EU remains concerned about the ongoing conflicts in the South Caucasus, however, and has been brokering talks between and among the three South Caucasus states. The European Commission is debating whether it should attach political conditions to its economic aid in order to push the negotiating processes forward. One panelist argued that a policy of conditionality would not be enough to push political leaders in the South Caucasus to take steps toward real progress and would undermine EU policies in the region. He warned that EU policies that are effective in Europe might actually undermine the sovereignty of the weak states in the Caucasus.

South Asia

Central Asia is only one of a number of directions in which India is engaged. A discussant asked where Central Asia fit into India's strategic calculus related to its other interests. The panelist conceded that India has priorities in other directions. The Middle East remains a top priority for India because of its dependence on oil imports. India is also looking East and engaging states in East and Southeast Asia, such as Japan, Vietnam, Indonesia, and Malaysia. Central Asia is important, however, not only because of India's interest in the region's energy, but also because Central Asia is linked to how India thinks about other major actors, such as Iran, Pakistan, and China. For example, the Indians worry about growing Chinese influence in Kazakhstan.

Panel V
Impressions From the Field

This panel features scholars who have spent considerable time doing research in the region. Panelists shared their insights on how the regional and internal dynamics are changing based on their experience on the ground, questioned the prevailing verities about the region, and offered an assessment of how research on the region should be focused in the future.

Chairman: Angela Theriault
National Intelligence Council

Nora Dudwick
The World Bank

What are the prevailing verities?
The trajectory of change is unidirectional, and will ultimately result in democratic societies (as measured by the establishment of electoral democracies and "free and fair elections"). At the beginning of the 90s, despite the war in Nagorno-Karabakh, many Armenians and many Western observers were optimistic that Armenia was moving in a democratic direction. Armenians had just voted in a government untainted by connection to the Communist Party. They took pride in being the most stable country in the South Caucasus, a fact they attributed to the high degree of ethnic homogeneity in a country with a strong sense of national identity. Most activists preferred to characterize the "Karabakh Movement," which had brought the Communists to power, as a national democratic rather than purely nationalist movement. Aside from severely flawed national elections and near-coups of recent years, the institutional framework and "democratic" style of governance (with due respect to the fact that definitions of democracy vary considerably across cultures) are still lacking. Armenia has lost one-third of its population to emigration, and many of the people remaining in the country, particularly those who have not benefited from the economic changes, express bitter disappointment and cynicism about "democracy" and rampant corruption at every level of government. Without predicting the "end point" of the political and social changes under way in Armenia, it seems clear that there is no reason to assume any longer that change will necessarily be smooth, linear, or bring Armenia toward a structure that resembles Western democratic states.

Despite rocky beginnings, which include widespread impoverishment, natural catastrophe (in Armenia) and armed conflict in both Armenia and Georgia, the presence of skilled and educated populations, programs of privatization, liberalization, and globalization should eventually help restore production and alleviate widespread poverty. Since 1994, field work on the economic and noneconomic dimensions of poverty in Armenia, Georgia, Kyrgyzstan, and Uzbekistan reveal that sizable segments of the population, in urban, and particularly rural areas, are experiencing severe poverty. This portion of the population, many of whom worked in agricultural or industrial enterprises, has not particularly benefited from privatization or liberalization; on the contrary, privatization has meant the end of many social services and other benefits, a loss of which has hurt low-income households. The spread of informal payments for ostensibly free health and education services, coupled with the severe decline in the quality and accessibility of health and education services also means that low-income households, particularly those in poorly served rural areas, are likely to be left further behind as the economy improves. Certainly, this portion of the population will not particularly benefit from "globalization," which, particularly in the form of improved communications and exposure to the outside world, predominantly benefits the urban and the educated.

The strong and extensive kinship networks that characterize society in the South Caucasus will act as "safety nets" and soften the impact of impoverishment for the poorest households. Sadly, one of the most striking social phenomena of the past 10 years has been the weakening of the seemingly durable ties of kinship and reciprocal obligation that characterized South Caucasian and Central Asian societies in response to the widening gap between rich and poor.

Poor people are being excluded—and also exclude themselves—from the many social and cultural events that traditionally served to affirm these ties, because they can no longer afford the expenses connected with participation. The poor feel humiliated by the need to ask help from richer relatives, while the newly prosperous increasingly find their poor relatives a burden they cannot or do not want to support. Poor people complain that the Soviet-era economy of reciprocal favors and services has become increasingly monetized, and that kinship ties must now be supplemented with cash.

What questions should be asked?

How do informal institutions, particularly connections and networks, actually work on local and national levels, and how do they affect political and economic processes? Field studies demonstrate that whether at the national, regional, and local level, most respondents are convinced that politics and economics are determined by personal ties. Even when this is not the case, the perception itself shapes behavior. Case studies to date, particularly of entrepreneurs, demonstrate the extent to which personal networks determine the flow of resources between the state and its citizens. Likewise, fieldwork in agricultural communities suggests that informal networks and power relationships are highly significant in terms of shaping policies and explaining political and economic events. It is therefore important for research at any level—national, regional, or local—to carefully examine the specific history and character of the informal and historical connections among economic and political actors.

How do personal experience and internalized assumptions from the Soviet period, and new (ethnically shaped) national identities affect how people perceive and respond to new institutions and practices? Although very few people in the FSU would express support for Marxism-Leninism, clearly many aspects of "actually existing socialism" were internalized, such as notions of social justice (egalitarianism) and of positive rights (to employment, for example). Even if they verbally support the idea of a market economy, many people still expect the state to take primary responsibility for creating employment. Although they criticize the government for corruption and incompetence, more traditional rural populations in particular still consider it the government's responsibility to take initiative and provide direction. When examining how new institutions and structures are functioning, researchers need to continually pose the question of how local populations interpret these institutions, and in what way their functioning results from internalized assumptions and local experience specific to postsocialist reality.

What are the sources and dynamics of social change at the local level? Local formal and informal institutions have changed considerably, and new power arrangements and mechanisms are forming. Whether in rural villages or urban neighborhoods, for example, local communities have taken the initiative; in others, relationships have become even more hierarchical than before. What are the key ingredients and dynamics that make some groups and/or communities change? How are local changes affected by economic and geographic factors? What role is played by individuals, by urban or international organizations, by the "demonstration effect" of guided change elsewhere? What are the practical implications of these findings?

What issues should regional experts focus on, and why?

Social and economic exclusion. Even as societies and economies are restructured and globalized, large parts of the population (unskilled youth and unemployed or underemployed older workers in rural areas and depressed single-company towns, poor children, the disabled, elderly people living alone, ethnic minorities) are being socially excluded. Poor children and youth have decreasing access to education and training, which will make them less competitive if and when growth increases. Likewise, geographic isolation and deteriorating infrastructure has worsened the position of rural populations. The increasing rich-poor gap reduces social cohesion and potentially leads to political instability (as seen recently in Armenia). In ethnically heterogeneous countries and politically fragile countries such as Georgia, even the perception that exclusion is caused by discrimination based on ethnic affiliation could be politically very destabilizing. The economic and social marginalization of sizable portions of the population should therefore not be ignored.

David Hoffman
University of California-Berkeley

I have spent approximately four of the last seven years in the former Soviet Union, in particular in the states of what Russians term "the near abroad." During this time, I have had the opportunity to engage the region from a number of different perspectives—that of journalist, energy consultant, academic researcher, and human rights representative. Naturally, each of these occupations brings to the table its own insights into the region, as well as its own set of institutional "blinders" and biases.

This panel brings together scholars who have been active in conducting in-country fieldwork in the states of the South Caucasus and Central Asia, and who thus are in a position to inject invaluable firsthand knowledge into the larger meta-conversation that this conference represents. In this milieu, my contribution, as I understand it, might best be made in the form of sober reflection, and the juxtaposition of the salient questions and issues raised by preceding speakers against a backdrop of the realities of political, economic and social life in the South Caucasus and Central Asia. Thus, I hesitate to proffer anything in the way of a concrete thesis at this early stage. Given my experience, not only in studying, living in, and working on this region over the past seven years, but in interacting with others engaged in similar activities, I think one or two tentative comments can be made at this point, less as definitive statements than as a way for framing further discussion.

Regional experts should be cautious of the sources of information we use in crafting our understanding of the region. The gradual penetration of new forms of electronic information-gathering and dissemination into the South Caucasus and Central Asia has made it increasingly easier to gather information on the regions from afar. Internet versions of local newspapers (*Zerkalo* from Azerbaijan and the Almaty-based *Delovaya Nedelya* and *Panorama* are particularly good examples), e-mail listserve groups, news wire compilations and the like are opening up the region to outside observers as never before. And, of course, the gradual loosening of visa regimes and intellectual migratory patterns has enabled a quantum-leap in personal and institutional contacts between representatives of the Western and regional academic, government, and business communities. The information pipeline out of the region is clearly widening, albeit in fits and starts (witness virtually every government's attempts to control, in some form or another, access to the Internet).

This trend is heartening, but it should be taken with more than a small grain of salt. I will limit myself to noting here two reasons, in particular, that ought to give us pause. Of perhaps immediate consequence to many scholars' work has been my finding, over the course of my fieldwork, that macroeconomic indicators in many of the countries in the region are extremely unreliable, and in some cases represent outright fantasy more than the real state of the economy. Interviews with regional statistics committee employees in one Central Asian department revealed an office gutted by a lack of financing and eight-month wage arrears. It should be no surprise, then, that bureaucrats who have not been paid for nearly a year are less than likely to enthusiastically carry out their assigned task of collecting output, employment, and wage data from the various economic enterprises in their region. In fact, they had not, and thus current figures were merely extrapolated from those of previous years. If one is going to use macroeconomic statistics in a serious and consistent manner, it is imperative to investigate "where the rubber hits the road," so to speak: employees at regional offices of state statistical committees are but the foot soldiers in the larger process of statistics-gathering. Their results, I found, are often subsequently manipulated and massaged according to prevailing political winds at each of the higher stages of data accumulation, culminating in, as one bureaucrat jokingly called it, the "red-pencil stage," where undesirable figures or numbers are banished to oblivion with the stroke of a high-ranking official's hand. Thus, often by the time statistics reach the Western "consumer," whether in government, a university, or an international financial organization, the cumulative product can be worth less than the paper it's printed on.

Informal and illegal rent-seeking should be called what it is—putting a "positive spin" on it helps no one, least of all the governments and people. My own work is rooted in the intersection of the petroleum sector and state-building in Azerbaijan and Kazakhstan,

specifically in the interaction between the intertwined processes of pursuing petroleum-led development, while simultaneously attempting to develop a measure of state capacity across critical institutions—extractive, regulatory, and redistributive. Though not a prime focus of my research, one of my more interesting findings has been the degree to which informal revenue channels have insinuated themselves in the regions' oil and gas sectors. What would I tell you if actual crude and refined oil product output in Azerbaijan was actually almost double the official figure? The production of private profit and public loss damages not only these countries' prospects for economic development, but ultimately the perhaps more important task of developing strong state institutions.

Short, impressionistic visits to the field often remain just that: short and impressionistic. Several years ago, a group of European experts paid a working research visit to Azerbaijan. Their purpose was to survey the state of the oil machinery sector. On the basis of their report, I revisited what they had judged the "strongest" four enterprises. My walk-through of the factory floors, interviews with workers and management, and inspection of the machinery, however, revealed equipment with birds nesting in them, a work force that seemed to be 80 percent invisible or not present, and capital stock that had not been operated in years. The difference between my visit and the previous lay in that I visited all of the sites, rather than conducting telephone or remote-site interviews with the plant managers. Short trips to the field, relying heavily on official contacts and translators, are useful, but their limitations should be taken into account.

What, then, are some of the basic lessons we can learn? Relying on the Internet, official statistics, and a small circle of local sources (who may or may not, in fact, be based in their home country) carries with it a degree of risk. This, of course, varies with the scope and goals of a given research project—certain topics obviously lend themselves more to small-n analysis and/or anthropological observation. In an environment where the basic statistics-gathering institutions of the state have withered, where local experts and/or institutes sometimes have political or personal axes to grind, and where new forms of information technology add breadth, but not depth, to our understanding of the area, we must be wary, indeed. The first lesson, obviously, is that numbers and statistics are malleable: on numerous occasions I have seen economic "progress" generated at the drop of a hat. True, economists can, to some degree, massage meaning out of the sometimes perverse raw data generated by state statistics committees. But the fact remains that an overreliance on official statistics and economic data is an invitation to facile and flawed analysis.

This cautionary tale clearly places a heavy methodological burden on the researcher. As mentioned, some topics are easier to "get at" than others. The political economy of oil, for example, tends to be wrapped in a double cloak of political opacity (regional, kinship, and patronage networks are insular and tough to crack if you are an outsider) and economic dissimulation. Nevertheless, effective research requires first of all that we be aware of these dangers. As the internet casts its net broader and wider, we should be conscious of the overall lack of depth of most of its offerings up to date: the primary sources for many websites and listserves are relatively few and incestuous. Another basic lesson that follows from this discussion is that field research ideally should: a) consist of multiple trips, in order to facilitate the development of deep, rather than broad, contacts; and b) benefit from appropriate language skills, since using a translator, while in some cases unavoidable, is, unfortunately, often a hindrance, especially when the topic at hand is sensitive for the interviewee.

Cynthia Werner
Pitzer College

Almost nine years have passed since the breakup of the Soviet Union, yet the transition to a more democratic system with free market trade seems to be stalled in the middle of chaos. Although the political and economic systems have definitely been changing, they are not necessarily changing in positive directions. One of the buzzwords that analysts repeatedly use to explain what is wrong with the transition process is "corruption." In Western policy reports and popular newspapers, widespread corruption in the former Soviet Union is often portrayed as the leading threat to political democratization and economic liberalization.

Journalists, for example, have published stories on how corruption impedes political elections, media reporting, factory production, property privatization, and foreign trade. These perceptions of corruption, in turn, force international development organizations to question whether or not it is pragmatic to continue sending foreign aid to these countries. Similarly, foreign businesses must decide whether or not potential profits are worth the risk of operating in an environment with a strong "mafia" presence.

Here I would like to address the issue of corruption by sharing my own firsthand knowledge of corruption in post-Soviet Kazakhstan. As a cultural anthropologist conducting research in a small Kazakh town, rather than a Western businessman making deals in a large Kazakh city, my knowledge of corruption is based largely on what people have told me about corruption, rather than my own personal experiences with the local mafia. In the field, I was able to acquire considerable information about the contexts in which bribes are most frequently presented, the cash value placed on bribes for various services, and the proper etiquette for presenting bribes. I was also able to gather information on the ways in which rural Kazakhs view the morality of bribery and nepotism. Not surprisingly, their ideas of what activities are illegal yet morally acceptable and what activities are illegal and morally reprehensible do not exactly correspond to American views. In my opinion, understanding the way people talk about corruption and the way they think about corruption can be very important for developing practical strategies to fight corruption.

Similar to the other former Soviet republics, Kazakhstan is known as a place where "nothing is allowed, but everything is possible." In other words, despite attempts to dismantle the Soviet bureaucratic system, laws and documents still regulate and monitor almost all social and economic activities. Yet, bureaucrats who control the flow of documents and the observance or regulations are known to provide a quick service or limited privilege to individuals who pay bribes or call in personal favors. Everybody knows that traffic police and customs officials take bribes for real and imagined offenses; judges receive bribes for favorable sentences; employers secure bribes in exchange for available positions; and university officials accept bribes for admission. In addition to paying bribes, people know that personal connections, including clan ties, can be useful for getting around the system.

Everybody in Kazakhstan also knows that bribery and nepotism are illegal. But, the way that corruption is legally defined does not correspond perfectly to the way that it is culturally or morally defined. In other words, some crimes are morally acceptable while others are not. Going further, people take different positions when it comes to the morality of such activities, which further varies depending on the context. When it comes to the morality of bribery, people factor in the content of the bribe, the official's personality and generosity, his or her regular salary, the estimated amount of income received from bribery, and whether or not the bribes are voluntarily presented. Similarly, the morality of nepotism is context-specific. For example, in southern Kazakhstan, most Kazakhs accept and even praise bureaucrats, who are loyal to their family and clan in hiring practices, as long as the benefactors are somewhat qualified for the position.

For this conference, I was asked to address several questions: What prevailing verities do you accept or reject? What questions should be asked but are not? And, what things should we be focused on? To begin, I do believe that pervasive corruption is a real problem that hinders development and democratization in Central Asia. This is not just a local problem, as the level of corruption in Central Asia also affects international politics, foreign aid, and foreign trade. Although there are no easy solutions to this problem, the situation is not completely hopeless. International organizations, such as the World Bank, are already taking some initiatives to fight corruption in Central Asia.

As these international organizations and foreign governments take a more active role in fighting corruption in Central Asia, it is important for us to start asking new questions. First, we need to think about ways to develop culturally compatible solutions to the corruption problem. As I have already discussed, Americans and Kazakhs do not necessarily share the same understandings of what constitutes "corrupt" behavior. It would be easier to gain support for anticorruption campaigns in Central Asia that are initially targeted

against those forms of corruption that are universally perceived to be immoral. At the same time, local governments could introduce educational programs that link the anticorruption movement to notions of nationalism, patriotism, and social justice. Second, it is important to think about the unintended consequences that will arise with anticorruption campaigns in Central Asia. As Soviet history demonstrates, the introduction of anticorruption measures often opens the door for practices akin to witch-hunting. Individuals who would ideally be targeted by these efforts tend to possess both the connections and the skills necessary to avoid being caught. At the same time, the most corrupt individuals often use these campaigns to root out their enemies. We need to determine whether or not it is possible to change the system without trying to identify and remove corrupt leaders. In this regard, we need to study the factors, such as low wages and excessive bureaucracy, that foster corruption in Central Asia. By addressing these questions, it is possible to develop more effective anticorruption measures in Central Asia.

Kathleen Kuehnast
Mellon Foreign Area Fellow,
Library of Congress

What prevailing verities do you accept or reject?

History is key to understanding the present is a given, but I would add that the present may also be key to more fully understanding the Communist past. It is essential that we continue to reexamine the late Communist period from new vantage points, and if need be, to revamp our analysis of it. As we move further away from Cold War rhetoric, new questions must be raised. Since our orientation to date has focused distinctly on Communism's shortcomings and failings, we must also begin to identify what actually worked during the socialist experiment. This additional knowledge will give us a better framework for understanding the fault lines and impediments of current institutional reforms, since these institutions are based as much on human agency as they are on ideologies.

The states of Central Asia will continue to maintain their Soviet-inherited borders is an assumption that I think will prove to be false. In my estimation, there is a high probability that the current geopolitical borders of Central Asia will be different in ten years time. With a number of recent interregional border disputes (Uzbekistan-Kyrgyzstan; Uzbekistan-Kazakhstan; Ferghana Valley), reconfigurations may occur sooner than later. Moreover, it is important to note that Russia's President-elect Putin also appears to be making more of an overture toward Central Asia than did his predecessor. It is not out of the range of possibilities that Russia could play a covert role in destabilizing borders as a means of consolidating further dependency on Russia's military strength in the region. Further, another question which begs to be answered is how will the countries of Kyrgyzstan and Tajikistan maintain their independence when economic development and sustainability appears very uncertain at best, and where their poverty levels are at 51 percent and 94 percent respectively?

Central Asia's drug-trafficking problem is huge and perhaps even insurmountable, is not only an accurate assessment but begs for global awareness and intervention. Drug trafficking is not going to disappear in Central Asia. Growing rural poverty, lack of economic development, and a general willingness by Central Asian governments "to look the other way" makes the situation in the region extremely vulnerable to active drug trafficking. Not only is this a national security issue, but it is only a matter of time before "drug money" starts playing a public and pivotal role in politics of the region.

What questions should be asked?

Although women are actively engaged in the arena of NGO development, why have they not gained footing in the new political arena, either in elected parliamentary positions or appointed ministerial positions? Women today have less of a role in public discourse than they had during the Soviet period, in part,

because most women are coping with day-to-day survival problems. In addition, traditionalism and resurgent religious ideals have advocated a far more conservative position for women in Kyrgyz society than the prior Soviet era when Central Asian women were encouraged to be educated and to work outside the home. The increasingly conservative rhetoric about women's roles in society may not only foreshadow potential human rights abuses, but it also indicates the level of tolerance for diversity in the social milieu.

No matter the level of literacy or work experience Central Asian women gained over 70 years, the last decade has seen many women mired in the new poverty that has engulfed these countries. It is not that women are any more poor than men, but they are more burdened. With the collapse of socialism and the many mechanisms of support, including child care, pensions for the elderly, universal health care, etc., women are not only relegated to taking care of their own family and extended families, but also in some regions are the primary breadwinner. There is simply no time for most women to partake in the public political process. Poverty undermines the voices and participation of women. Their silence, in fact, sounds a loud signal for the need for nation-building efforts to address worsening social and economic problems. As one young rural Kyrgyz mother expressed angrily in an interview, "New democracies and economies are of no use when people can no longer feed or clothe their families."

Although women are actively involved in NGOs, it is important that they are not marginalized in the political processes under way in these nascent states. Protecting the constitutional rights of women, as well as developing a sound legal system, should not be done without the active participation of women.

What is the long-term impact of poverty on the youth of Central Asia? An important factor to consider in Central Asia is the demography of the population, since nearly 40 percent of the population is now under 18 years of age. In spite of the many inadequacies of the Soviet system, health and education indicators for child development in Central Asia were high, especially when compared to other developing countries in the world. It is now proving exceedingly difficult to maintain the same sort of commitment to the needs of children in the uncertain economic and political predicaments of Central Asia. Furthermore, with the collapse of central planning, many of the new states are having difficulty maintaining basic infrastructure, such as roads and public transportation.

In the rural areas, where over half of Central Asians reside, the repercussions of poverty are particularly devastating. Poverty destabilizes society and creates stress lines and fissures. As a result, many children have experienced the abrupt diminishment in the quality of their lives. They have also felt the trickle-down effect of economic crises, including such problems as the increasing rate of school dropouts, the spread of debilitating communicable diseases (tuberculosis, syphilis, and hepatitis), malnutrition among younger children, unprecedented homelessness, and an increase in youth crimes, mental depression, and suicide among teenagers.

Although women are often singled out as a vulnerable group, there is growing evidence that unemployed young males are also highly vulnerable. Young males are the most likely group to move into the illegal drug trade, as well as the most likely candidates for involvement in radical political or religious groups. In various interviews over the past decade, many villagers in Kyrgyzstan spoke of their terror of these groups of young males. Many complained that "the streets are no longer safe in the evenings for women and children." Indeed, the incidence of violence, suicide, and crime among this age group has increased over the last decade.

Clearly, the problems of children today foreshadow the human development issues of tomorrow.

What things should we be focused on?

What is the impact of poverty on democratic reforms? Current poverty levels in Kyrgyzstan are having an impact on national stability. Extrapolated during the coming decade, the widespread poverty cannot be

underestimated in terms of breeding political discontent or intensifying illegal activities that may destabilize Akayev's government. In 1996, one older Kyrgyz woman in Naryn foreshadowed the current economic-political predicament in Kyrgyzstan when she said about the next round of elections that "I would rather vote for Communism and eat, than vote for democracy and starve."

What are the implications of the increasing stratification, not only between the rich and poor, but also the urban and rural regions? We see a rapidly disappearing "middle class" (at least by former Soviet levels). Using the consumption-based measurements of the World Bank (versus an income measure), 51 percent of the population in Kyrgyzstan now lives below the poverty line. The Gini Inequality Coefficient (1997), which calculates the degree of class inequality, indicates a value for Kyrgyzstan of 0.41, which is higher than that of Kazakhstan at 0.35, although still lower than Russia's 0.46.

The rural poverty rates in Kyrgyzstan (65 percent) are more than twice that of urban rates (29 percent). And extreme poverty rates in rural areas (21 percent) are about four times those of urban areas (5 percent).

With the most onerous economic problems affecting those who live in rural Kyrgyzstan, it is important to explore how rural poverty can further weaken borders that are already quite porous and potentially dangerous. Three of Kyrgyzstan's four borders are certainly troublesome, especially the ones with Tajikistan and Uzbekistan in the Ferghana Valley, and of course, western China, most notably the Xinjiang Province. In each instance, these borders are for the most part in remote, mountainous areas, which means that they are often poorly guarded. Where guard posts do exist on the roadways, it is a well-known fact that these guards are generally susceptible to bribes, thus affording easy access for the cross-border drugs or even arms trade.

In the past five years, two important developments have occurred simultaneously with respect to drug trafficking in Kyrgyzstan. First, a Russian market for drugs has opened up. Second, Iran, once on the drug-smuggling route, launched a strict antidrug campaign, virtually sealing its border with Afghanistan. This has redirected the drug trade northward through Kyrgyzstan. It is essential to consider that as economic conditions worsen, or even if they remain the same, the only viable business for many of the rural poor may be drug trafficking. Extensive rural poverty makes gainful, albeit illegal opportunity, appear reasonable and necessary to desperate people.

Economic disparity may significantly exacerbate pre-existing tensions between the titular group, the Kyrgyz, and other ethnic groups. This is especially true since agricultural resources are limited, and there are relatively few fertile valleys in the country. For example, Chui Valley in the North, the Kyrgyz retain a latent resentment toward successful Chinese and Uighur farmers. Tensions between Russians and ethnic Kyrgyz living around Lake Issyk-Kul peaked in 1992, during a march to commemorate Kyrgyz who had died in the 1916 uprising against Russian settlers who had encroached on their grazing lands. And of course there were the now-infamous Osh riots of 1990, which erupted over land rights in the Ferghana Valley, home to both Uzbeks and Kyrygz. Certainly, limited access to arable lands and resources may be a catalyst for conflicts of a regional or ethnic nature.

What is the impact of poverty on social networks? The weakening of rural social networks as the result of increasing isolation and poverty has only recently begun to be considered as a significant social development concern. Since many of the transactions among people living in the rural regions pertain to survival issues—securing food, obtaining health services, finding fuel and water, and so forth—social networks, as a type of informal institution, are a critical dimension of day-to-day rural survival. The Kyrgyz Republic Social Networks Study (Kuehnast & Dudwick, 2000) indicates that the ability of the social networks of the poor to insulate them from the mounting problems of rural life is diminishing rapidly. As a result, the rural poor are finding themselves in a patronage relationship in which they borrow goods, food, or cash from their wealthier neighbor, and then become indentured to that neighbor as a means of paying off their debts. In Georgia and Armenia, this same sort of predicament has been called "medieval work conditions," denoting the feudalistic strategies being used by the poor to survive.

Michael Thurman
The World Bank

There are many verities in the prevailing body of research on Central Asia which I accept, for example:

- Central Asian states and elites are dependent upon Russia.
- There are many factors that could lead to instability in Central Asia, such as irredentism, economic decline, possible conflict over transboundary resources, and "spillover" from events to the south.
- Central Asia is a region in which the United States should be actively involved.
- Central Asians are politically passive in the face of authoritarianism.

My research in the field, however, has led me to some conclusions that are not shared by many scholars of Central Asia. These include the following:

- *Central Asian society is not overwhelmingly "traditional" or "feudal."* One often hears the comment that you "go back to the middle ages" when you leave the capital cities of the region for the countryside. This is based on a false perception that roots rural areas in a static, "traditional" reality where "custom," familial ties, and religion are the predominant influences on the population. In fact, indigenous social and political structure and religion were greatly transformed by collectivization and subsequent years of rule by the "command-administrative system." Clans and kinship ties are ultimately subservient to Soviet modes of transmitting power through the Party, which is closely intertwined with both social and political structures.
- *The view that Central Asia is a hotbed of Islamic fundamentalism is based on Western stereotypes and prejudices, some of which have been acquired from Russian and local elites.* The village where I conducted my field research is predominantly populated by self-avowed "fundamentalists." However, their fundamentalism should be likened more to Church of Christ fundamentalism than to a firebrand ideology. No one rejected me based on my Christian convictions. The imam expressed to me his belief that "God is the same" for all religions. The population favors a secular government and greatly admires the United States.
- *Although many factors make instability a concern in Central Asia, the region is not a "tinderbox."* My research was mainly conducted in rural areas of the Ferghana Valley, one of the most commonly mentioned "hotspots." Despite the fact that socioeconomic conditions in the region are much worse than before independence, there has been no repeat of the conflagrations of 1989 and 1990. Many of the fears for my safety expressed by Western, Russian, and urban Central Asian friends proved to be entirely unfounded. In my opinion, the rural population is, if anything, too passive in the face of authoritarianism.
- *Political passivity should not be mistaken for lack of a capability to respond to incentives and changing circumstances.* Central Asians are resourceful in adopting mechanisms for coping with the prevailing command-administrative mode of governance. They typically make sound decisions when involved in the decision-making process. This is evident in the experience of the Leninsky District Farmers Association in Tajikistan, which has empowered farmers to manage their own affairs and overcome resistance from the local government.

Research on Central Asia can be improved in several ways:

- Micro-level studies are needed. The prevailing body of research generalizes a fund of specific information that is often woefully inadequate for the purpose.
- The Central Asian experience should be compared with that of other parts of the world. Specific locales of Central Asia should also be compared with one another.

- For a region that is predominantly rural, there is little research on the countryside of Central Asia. In part, this is because it is more difficult to access rural areas, and that it is much easier to conduct research in the relative comfort of the capital cities.

- By adopting an historical perspective, scholars of Central Asia would learn more about change in the past, thus enabling them to identify most significant features of the present system. There is also a great deal of room for "old-style" history concerning the region, since we know only the most basic facts about its past. Soviet interpretations of the past, on which many scholars base their opinions, are often entirely spurious and bear a closer resemblance to pamphleteering than serious history.

Highlights From the Discussion

Economic Challenges

Oil is a liability more than an asset for economic and political development in the region. Several panelists and discussants noted that, if the oil sector was not managed properly, there will be wide-reaching economic, political, and social implications. Other discussants expressed concerns about transparency issues.

- Oil has the potential to overwhelm the state. One panelist argued that success of these countries will depend largely on how they deploy and digest energy revenues in a meaningful way and build institutions to support the state. Currently the Azerbaijani Government is unable (or unwilling) to privatize SOCAR because it is such a lucrative source of informal revenue. At the same time, revenues from the oil industry are not being re-invested in other capacity-building sectors or in other institutions.

- Other sectors are neglected as the foreign investment pours into the oil and gas industry. One panelist argued that Kazakhstan is the best example of a relatively diverse economic portfolio. Some foreign investment has flowed into a variety of sectors, such as light manufacturing and metallurgy. But the energy sector will continue to be favored unless the local government provides incentives to attract more investment into other sectors.

- Poor regulatory regimes discourage investment in many of these countries, and investment is often squandered. Regional governments seek to avoid transparency. Turkmenistan has the most opaque system in the region. None of the panelists could comment on what is happening in Turkmenistan.

Strategies for assessing economic data were debated. One discussant argued that despite endemic collection problems, data may be more accurate than we think. First, he observed that the data reflected a sharp fall in economic performance in the region after the Russian crisis, which suggests that the governments were not simply extrapolating past trends. Second, bad data may make it difficult to assess performance levels, but discerning economic trends remains possible. Several panelists concurred that deliberate falsification and simple neglect make economic data from the region very difficult to use for purposes of assessing needs. If the falsification is done consistently, however, it is still possible to discern various trends. Another discussant asserted that accurate data can be obtained if an outside agency pays the locals to do it properly, which is a strategy that the United Nations employed to collect data for its *Human Development Report*. Other discussants asserted that the quality of data depends largely on the country. For example, the quality of data coming from Uzbekistan and Kazakhstan far exceeds the quality and quantity of data from Turkmenistan. Tacis and IMF economic data were mentioned as useful as external checks on the economic data from the region.

Social Challenges

A number of social problems were raised in the discussion. While political and economic problems tend to be country-specific, most of the states in the region confront common social problems at the microlevel. The issues raised during the discussion include:

- *Population Dynamics.* The population dynamics of the former Soviet empire are in flux. Russia's population is shrinking, and Central Asia's population is growing. Several panelists believed that the governments in the region will be unable to cope with the future population pressures, from growth rates as high as Turkmenistan's 3.8 percent. A panelist noted, however, that this population growth must be somewhat qualified by the fact that many women are starting to realize that they cannot afford to raise as many children and are employing self-imposed birth control and having abortions. In addition, populations are moving from rural to urban areas.

- *Unemployment.* The endemic poverty of the region, combined with population growth, is naturally leading to a significant unemployment problem for the young generation in Central Asia. Forty percent of the population is under 18. Islamic extremism may be a direct consequence of the regional unemployment problem.

- *Corruption.* Local and national leaders, who exploit their positions for personal gain, are found across both the South Caucasus and Central Asian regions. Mafia leaders and drug traffickers also drain resources and hurt economic productivity. There are some cultural norms for corruption which are socially acceptable.

- *Role of Women.* Panelists agreed the role of women in these societies has been neglected, but they are playing an increasingly important role in the region. Present gender problems must be understood in the context of the past.

- *Breakdown of social order/networks.* The collapse of the political and economic system has also shattered the traditional social order in these countries. Research on the ground reveals that people are so focused on survival that traditional informal networks and channels of communication no longer exist. Even traditional family structures are breaking down. Some people are unable to give or attend weddings or funerals, due to cost considerations. These social events were used to exchange news and information.

How should the West be thinking about these problems? An attendee noted that the picture painted by the panelists is one of unremitting poverty among Central Asians and a seemingly unstoppable downward spiral in their prospects. Panelists observed that the gap between government promises and the reality of increasingly deteriorating living conditions is growing, but it is unclear how long those impoverished will accept these conditions. One panelist commented that Central Asians do not know anything else, unless they are presented with an opportunity. For this reason, it is difficult to predict when a threshold that leads to a violent reaction will be crossed.

One panelist offered four possible scenarios, observing that there are no optimistic outcomes at this moment:

- The young will continue to migrate to urban areas and the elderly will be left impoverished in the rural areas.

- The population will continue to tolerate poor economic conditions.

- The young will seek alternative economic activities which are primarily illegal, for example, drug trafficking. A criminalized economy will have serious political implications.

- The population demands change from the government, which leads to civil unrest and possibly an overthrow of the regime.

Why do we not see greater social unrest with such deteriorating conditions? Panelists explained that the pervasive lack of trust mitigates against social mobilization of any kind. Not only have social networks broken down, but people refuse to work together. Small businesses are reluctant to collaborate to protect their interests because they fear that the connections will make them vulnerable. Another panelist, however, had seen people unite around common causes, such as water issues. For example, a group of Uzbeks recently founded a water association, which could have political implications, but it was an unlikely vehicle to foment social unrest.

Recommendations

- Panelists strongly urged long-term, grassroots studies. Only significant time on the ground in these two regions, particularly away from the capitals, will contribute to a greater understanding of the problems in these regions.

- Central Asia and the South Caucasus must be understood on their own terms. Some discussants argued that the West requires a better understanding of these countries' cultures, histories, ethnic groups, economies, and the role of Islam. Westerners tend to arrive in the region with an agenda and policy prescriptions that they seek to impose on the natives. It is important to discern what the locals want and need.

- An understanding of political stability in other developing countries that are undergoing structural adjustment programs can provide lessons learned that could be applied to Central Asia and the South Caucasus.

Panel VI
Concluding Roundtable: The Outlook of the Larger Geopolitical Environment and Key Variables

The objective of the roundtable was to reemphasize particularly salient points that emerged during the previous day and a half; to help establish the architecture for debate on contentious points; and to suggest a "research menu" for going forward.

Chairman: S. Enders Wimbush
Hicks & Associates, Inc.

S. Enders Wimbush
Hicks & Associates, Inc.

Central Asia is at the center or on the near periphery of the national security interests of all states in the region. In the view of states near Central Asia, Central Asia is not a small, isolated group of former Soviet colonies that is of interest only because of its historical quaintness. Most countries in the region have multiple interests that converge in Central Asia. India, which seems far away, is a case in point. It views Central Asia as its "extended strategic neighborhood" in the competition with Pakistan, and it has a direct interest in controlling the political chaos in Pakistan and Afghanistan; its interest in Central Asian energy is paramount; and it sees Central Asia as a key piece of its effort to contain Chinese expansion and prevent "encirclement" by China. In this sense, Central Asia is a critical strategic juncture point in its national security planning for China, the Middle East, and South Asia. Similarly, for nearby states such as Turkey, Iran, Pakistan, China, and, of course, Russia, as well as for some more distant states such as Israel, Central Asia and the South Caucasus are no less important in their strategic calculations.

Since the collapse of the USSR, strategic dynamics now cascade across regions. Organizations that are constrained by a focus on discrete regions will not see many of the direct consequences that flow from political change, and the second- and third-order consequences of developments in one region for surrounding regions.

Terminology matters. Western catch-phrases for desired development such as "civil society," "economic reform," "democracy-building," and "globalization" all speak to Western goals for the region, but they tend to distort both the reality of Central Asia and thwart good judgment for what is needed there. They tell us little about how these peoples think about themselves, which is the critical variable in studying any strategic culture. The language and analytical filters used for the region may need to be recalibrated or thrown out all together after we have gained a better understanding of how the people of the region think about these problems.

Rajan Menon
Lehigh University

Many scholars continue to view Central Asia through a post-Soviet prism. This conference has highlighted the dangers of clinging to a "top-down" view. A number of areas require further research or need to be reassessed:

- High politics should be replaced with a "ground floor" approach. A better understanding of the situation in the region at the grassroots level, and how grassroot issues could affect Western interests in the region is necessary. For example, Central Asia's nascent "lost generation," unsuited to attain or accept the benefits of or protect themselves against the adverse effects of globalization, will be susceptible to extremist movements.

- Russia should be reassessed as a major player, particularly in terms of the viability of the Russian Federation as it is currently constituted. We should not assume that Russia's borders will not continue to change. What does the further fragmentation of Russia imply for the Caucasus and Central Asia

- A deeper understanding of Islam and its role in the regional context is necessary. The current debate tends to be unidimensional and focused on fundamentalism, which begets a phobia of Islam. From Indonesia to Algeria, Islamic groups play different roles in the political process. The West should expect the same degree of heterogeneity in the role that Islam will play in Central Asia.

- It is important to think about how US and Iranian interests might be converging on certain issues. It could turn out that the United States and Iran share some strategic interests.

Ian Bremmer
The Eurasia Group

The conference focused on change in the South Caucasus and in Central Asia and on the changing dynamics surrounding these regions. The key areas of change include:

- *Internal Change.* Political succession during the next decade probably will result in significant changes in leadership. A strongman can be a force for positive change, as is the case with President Shevardnadze in Georgia. But Georgia has been a unique case in the South Caucasus and will unlikely be replicable. Focusing on alternative leadership scenarios and key players who may be involved may provide a better understanding of the direction these states may go after a political turnover. Another key question of interest is whether or not the post-Communist generation will be more promarket.

- *Change on the periphery.* Central Asia and the South Caucasus will also change because the major actors that surround these regions are undergoing significant change.

  — *Turkey.* Turkey's economic influence in Central Asia and the South Caucasus is underrated and tends to be overshadowed by its cultural affinity. However, Turkey understands how to conduct business in both regions. If Turkey's economy changes for the worse in the future, its influence in both regions will probably diminish.

  — *Iran.* The US-Iran relationship is evolving. This will have serious consequences by changing the calculations of all players in and around these regions.

  — *Russia.* Should Russia develop a more coherent policy toward these states, it would become a more pronounced and assertive player in these regions.

  — *China.* China's growing demand for energy is increasing its prominence, particularly in Central Asia. The Chinese presence is most clear in Kazakhstan.

Thomas Graham
Carnegie Endowment for International Peace

We must think about the potential for significant changes in the region; it should not be assumed that the current states will survive. Conditions in these states lend themselves to instability. For example, the Ferghana Valley is particularly susceptible to Islamic extremism. What kinds of things could cause a major change in the trajectories for countries in the region? Will challenges be internal or external? What can be learned from developments at the grassroots level? One must look below the surface in these countries to understand the linkages and movements at the grassroots level and to assess the possibilities for political mobilization.

Russia is the largest unknown variable. We should not assume that Russia's policy will be more coherent under President Putin. Instead, we should consider a Russia that may be weaker and further fragmented. How might regionalization in Russia affect Central Asia? What ties are developing between southern Russia and Central Asia?

Rafik Sh. Saifulin
Institute for Strategic and Regional Studies

For Uzbekistan and the other states in Central Asia security and stability are the top priorities. Without security, there can be no economic growth or Foreign Direct Investment (FDI), no democracy, and no human rights. Central Asian states face myriad internal problems and regional threats that spill over the region's highly porous borders.

George Kolt
National Intelligence Council

The conference has brought out a number of external variables which will shape future developments in the South Caucasus and Central Asia.

- *US-Iran relations.* Changes in the US-Iran dynamic will affect all other relationships in the region. Tendencies to be "romantic" about a potential US-Iran rapprochement should be resisted. Normalcy will not be a panacea.

- *Afghanistan.* The chaos and instability in Afghanistan complicates everything and exacerbates all problems in Central Asia. No solution is likely in the foreseeable future.

- *Russia.* Russia is likely to be weaker in the future, but this weakness could foment aggression and anger that could be directed at the United States.

- We will not understand Central Asia and the South Caucasus if we view the region through one filter. A number of different filters—the perspectives of the major external actors—must be incorporated into our thinking on these regions. In addition, these external filters should be adjusted by research at the microlevel.

Stephen Jones
Mt. Holyoke College

Only research based on experience on the ground will enable a full understanding of the role of Islam in Central Asia.

Scenarios based on projections of today's trends constrain our thinking and will probably not capture the real change in the future. Microlevel research assists in understanding but will probably not help us to see the range of future scenarios.

Ghia Nodia
Caucasian Institute for Peace, Democracy, and Development

The most striking impression from the conference is that Georgia has been singled out by the US research community as such a positive model in an otherwise grim region. Most Georgians would be surprised to hear this assessment, which reveals a disconnect between external perceptions of Georgia and Georgia's self-perceptions.

Gregory Gleason
University of New Mexico

Globalization is a reality in Central Asia. Anyone on the ground in the region sees it in the pop culture and the ubiquitous American brands. Economic aid must be accompanied by technical assistance, so that development can be sustained.

Paul Henze
RAND Corporation

Some countries cannot afford to take a risk on democracy, given their current domestic situation. Scenarios for regime changes in these regions are disturbing, even if they are carried out democratically.

When thinking about Central Asia and the South Caucasus, we should avoid being intellectually constrained by narrow categories. Central Asia and the South Caucasus consist of more than eight countries. When they think about Central Asia, policy-makers should include Iran, Western China, Siberia, Turkey, and the North and South Caucasus.

Leila Alieva
School of Advanced International Studies

Some of the past prejudices about Central Asians that existed in the early 1990s have diminished. The level of sophistication and education of the locals should never be underestimated. Enriching the categories that the West uses to analyze Central Asia and the South Caucasus will provide a deeper understanding.

Gerard J. Libaridian
East-West Institute

It is necessary to take a long-term approach when thinking about democracy in the South Caucasus and Central Asia. Stability must be a precondition for progress. Democracy is a set of values, not laws. Laws and democracy will follow stability.

Appendix A

Conference Agenda

Central Asia and the South Caucasus:
Reorientations, Internal Transitions, and Strategic Dynamics
Airlie House, Warrenton, Virginia
April 5–7, 2000

5 April 2000 — Airlie Room

5:30–6:30 — Opening Reception

6:30–8:00 — Dinner

Keynote Address
A US Strategic Perspective on Central Asia and the South Caucasus

Introduction
John Gannon, Chairman, National Intelligence Council

Speaker
General Anthony Zinni, Commander in Chief, United States Central Command

6 April 2000 — Federal Room

8:00–8:30 — Opening Remarks
George Kolt, NIO for Russia and Eurasia

8:30–10:30 — *Challenges to State-Building: Internal Faultlines and Impediments*
This panel will examine the internal conditions and challenges these governments face as they modernize their political and economic institutions. The panel will also explore how the history of these countries is shaping their future direction and what might be expected of the new generation as it rises to leadership positions.

Chairman
S. Enders Wimbush, Hicks & Associates

Creating/Modernizing State Institutions
Gregory Gleason, University of New Mexico

The Legacy of the Past versus New Leadership Generations: South Caucasus
Audrey Altstadt, University of Massachusetts

The Legacy of the Past versus New Leadership Generations: Central Asia
Martha Brill Olcott, Carnegie Endowment for International Peace

Economic Change and Modernization: South Caucasus
Ben Slay, PlanEcon

Economic Change and Modernization: Central Asia
Boris Rumer, Harvard University

10:30–11:00 Break

11:00–1:00 *Challenges to State-Building: The Impact of Megatrends on the Region*
This panel will examine the impact of global and regional trends that are shaping these regions and beyond, and explore how the states are dealing with these challenges and opportunities. How are the states equipped to deal with both the positive and negative effects of globalization, the spread of ideologies and Islam, and the growing grass roots movements across these regions? Are the states capable of mitigating the negative effects of religious fundamentalism, and the emerging regional drugs and arms markets?

Chairman
S. Enders Wimbush, Hicks & Associates

Globalization: Economics and Communication
Rajan Menon, Lehigh University

Civil Society: Grassroots Organizations in South Caucasus
Stephen Jones, Mt. Holyoke College

Civil Society: Grass Root Organizations in Central Asia
Fiona Hill, The Eurasia Foundation

Islam and Other Ideologies
Olivier Roy, CNRS

Narcotrafficking and the Rise of Independent Militias
S. Fredrick Starr, Central Asia-Caucasus Institute

1:00–2:30 Lunch Presentation
Speaker: The Honorable James Schlesinger, Lehman Brothers
The Caspian Region: Where Geopolitics and Geo-economics Meet

Introduction
Ellen Laipson, Vice Chairman, National Intelligence Council

2:30–5:00

Regional Dynamics
This panel will examine how each new state views its relationships with surrounding states, including both other Newly Independent States and those outside the boundaries of the former Soviet Union, taking a regional approach, not an intraregional approach. This new regional context has many new features that also involve outside states (for example, common opportunities and threats, ethnicity, trade flows). Speakers from the South Caucasus and Central Asia are asked to outline how each of their respective countries is thinking about its strategic universe.

Chairman
Tom Zamostny, Office of Russian & European Analysis

Strategic Universe of the States in the South Caucasus
Paul Henze, RAND Corporation

Insider Perspective: Reactions/Comments
Georgia—Ghia Nodia, Caucasian Institute for Peace, Democracy, and Development
Azerbaijan—Leila Alieva, School of Advanced International Studies
Armenia—Gerard Libaridian, East-West Institution

Strategic Universe of the States in Central Asia
S. Fredrick Starr, Central Asia-Caucasus Institute

Insider Perspective: Reactions/Comments
Uzbekistan—Rafik Sh. Saifulin, Institute for Strategic and Regional Studies
Kazakhstan—Yertmuhamet Yertysbayev, Kazakhstan Institute of Strategic Studies

6:30–8:00 Dinner

7 April 2000 Federal Room

8:30 – 11:00

View From the Periphery
This panel will explore how the major external actors view the new relationships that are unfolding between and among Central Asian/South Caucasian states and their neighbors. Where are strong relationships possible and likely, and where are they impossible or less likely, and why? What is the

"glue" that will cement these relationships (for example, trade, ethnicity, history, culture, language, shared threats, shared opportunities, common alliances or third parties)?

Chairman
George Kolt, NIO for Russia and Eurasia

Turkey, Middle East, and Israel
John Daly, Middle East Institute

Iran
Mohiaddin Mesbahi, St. Antony's College, Oxford University and Florida International University

China
Ross Munro, Center for Security Studies

Russia
Robert Legvold, Columbia University

South Asia
Juli A. MacDonald, Science Applications International Corporation

Europe
Roy Allison, Royal Institute for International Affairs

11:00–11:30 Break

11:30–2:00 Working Lunch

Impressions From the Field
This panel will feature scholars who have spent considerable time conducting research in these regions. They will share their insights on how the regional and internal dynamics are changing based on their experience on the ground and will offer an assessment of where research of the region should be focused in the future.

Chairman
Angela Theriault, National Intelligence Council

Panelists: David Hoffman, UC Berkeley; Nora Dudwick, World Bank; Cynthia Werner, Pitzer College; Kathleen Kuehnast, Mellon Research Fellow, Library of Congress; and Michael Thurman, World Bank

2:15–4:30

Concluding Roundtable: *The Outlook of the Larger Geopolitical Environment and Key Variables*

The objective of the roundtable is to reemphasize particularly salient points that emerged during the previous day and a half, to help establish the architecture for debate on contentious points, and to suggest a "research menu" for going forward.

Chairman
S. Enders Wimbush, Hicks & Associates, Inc.

Panelists : Rajan Menon, Lehigh University; Ian Bremmer, The Eurasia Group; Thomas Graham, Carnegie Endowment for International Peace; Robert Legvold, Columbia University; Rafik Sh. Saifulin, Institute for Strategic and Regional Studies; and George Kolt, National Intelligence Council

(General participation encouraged.)

4:30

Concluding Remarks
George Kolt, NIO for Russia and Eurasia

Appendix B

Participants

General Anthony C. Zinni, Commander in Chief, United States Central Command

The Honorable James Schlesinger, Lehman Brothers

Dr. Leila Alieva, Research Fellow, School of Advanced International Studies

Dr. Roy Allison, Director, Russia and Eurasia Programme, Royal Institute of International Affairs

Dr. Audrey L. Altstadt, Associate Professor, University of Massachusetts-Amherst

Dr. Ian Bremmer, President, The Eurasia Group and Senior Fellow and Director of Eurasia Studies, World Policy Institute

Dr. John C. K. Daly, Scholar, Middle East Institute

Dr. Nora Dudwick, Social Scientist, World Bank

Dr. Gregory Gleason, Director of the Public Finance Consortium and Associate Professor, University of New Mexico

Dr. Thomas Graham, Senior Associate, Carnegie Endowment for International Peace

Mr. Bernard Paul Henze, Resident Consultant, RAND

Dr. Fiona Hill, Director for Strategic Planning, Eurasia Foundation

Mr. David Hoffman, Doctoral Candidate, University of California, Berkeley and Senior Associate, Cambridge Energy Research Associates

Dr. Stephen Jones, Associate Professor, Mount Holyoke College

Mr. George Kolt, National Intelligence Officer for Russia and Eurasia, National Intelligence Council

Dr. Kathleen Kuehnast, Research Associate, George Washington University and Research Scholar, Kennan Institute for Advanced Russian Studies

Dr. Robert Legvold, Professor, Columbia University

Dr. Gerard J. Libaridian, Senior Research Fellow, East-West Institute and Senior Consultant, IREX

Ms. Juli A. MacDonald, Program Analyst, Strategic Assessment Center, Science Applications International Corporation

Dr. Rajan Menon, Monroe J. Rathborne Professor and Chairman of the Department of International Relations, Lehigh University and adjunct professor of Political Science, Columbia University

Dr. Mohiaddin Mesbahi, Professor and co-chair of the Asian Studies Department at Florida International University

Mr. Ross Munro, Director of Asian Studies, Center for Security Studies

Dr. Ghia Nodia, Chairman, Caucasian Institute for Peace, Democracy and Development

Dr. Martha Brill Olcott, Senior Fellow, Carnegie Endowment for International Peace and Professor, Colgate University

Dr. Olivier Roy, Senior Researcher, CNRS (French National Center for Scientific Research) and Consultant, French Ministry of Foreign Affairs

Dr. Boris Rumer, Senior Fellow, Harvard University

Dr. Rafik Sh. Saifulin, Director, Institute for Strategic and Regional Studies under the President of the Republic of Uzbekistan

Dr. Ben Slay, Senior Economist, PlanEcon, Inc.

Dr. S. Fredrick Starr, Chairman of the Central Asia-Caucasus Institute, Johns Hopkins University's Nitze School of Advanced International Studies

Ms. Angela Theriault, National Intelligence Council

Dr. Michael Thurman, Consultant, World Bank

Dr. Cynthia Werner, Post-doctoral research fellow, Pitzer College

Mr. S. Enders Wimbush, Vice President for International Strategy and Policy, Hicks & Associates

Dr. Yermuhamet K. Yertysbayev, Director, Kazakhstan Institute for Strategic Studies

Mr. Thomas Zamostnsy, Transitioning States Issue, Office of Russian and European Analysis