

Russian Policy and Central Asian Energy, Economics, and Security

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Five new states emerged in Central Asia when the Soviet Union disintegrated. At that time the Bush administration and many American pundits openly presumed that these largely Muslim republics would inevitably come under Iranian and fundamentalist influence.¹ Instead a complex, many-sided international rivalry to influence and control Central Asia's destiny, trade, and resources—especially Kazakhstan's and Turkmenistan's oil and gas—has developed. The main players are Russia, Iran, Turkey, China, India, Pakistan, the United States, and several oil companies. Israel and Saudi Arabia, though present, play a lesser role.²

The main event in this ongoing rivalry is Russia's sustained effort to subordinate Central Asian states to its policies and reduce their independence. But to counter Russia's policy, these states also interact vigorously with all the powers that have regional influence and are Russia's rivals. Central Asian states are not the mere helpless objects of external machinations that U.S. elites and experts had postulated. Rather, they act to enhance their abilities to interact freely with all the states playing a role in Central Asia despite Russian policy.³ Since Moscow openly employs economic pressure and threats of coercion in energy policy to compel reintegration with Russia, energy and related economic sectors are the most prominent aspects of this new rivalry.

The struggle over energy resources occurs in the broader context of foreign states' efforts to influence Central Asia's economic and political global integration. Obviously, leverage over economics translates into political influence. For Russia, its rivals, and the lesser players, influence over Central Asian policies often affects vital interests.

Israel, for example, sought to prevent pro-Iranian fundamentalism from gaining a foothold, prove its credentials in the Muslim world, and, crucially, prevent nuclear proliferation from Kazakhstan to other Muslim states.⁴ For the major players bordering on the area and Turkey, the stakes are at least important and potentially vital. U.S. interests in Central Asia could become vital if Russia or China enters into local conflicts. Focusing on the rival states' economic policies, especially the energy sector, also lets us examine this broader context in which these states' policies take shape.

Energy as the Crucial Sector

The enormous energy resources of Russia, Kazakhstan, and Turkmenistan are vital to their economic and political futures. Energy exports are the main, if not only, path to development. Control over energy is crucial to the future economic strategy because it means control over their economic and political destinies.⁵ The same holds true for Uzbekistan, whose wealth lies in gold and cotton. Thus, the traditional struggle for markets has become a major factor in the interstate rivalries.

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Rivalry with Russia over energy and for economic control has already come to include episodes that can only be described as economic warfare. The belief that, indeed, if carefully articulated, Russian interests will find broad support because few people have any

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great interests in generating more “great games” between East and West or between North and South is naïve and unfounded.⁶ In energy and economic policies no quarter is being given or asked. Russia’s policies toward Central Asian economics and energy reject that assumption of a benign threat assessment. Its policies transcend a desire for reintegration on mutually agreed upon bases, to encompass outright coercion and efforts to restore a neo-colonialist

relationship of Central Asian dependency upon Moscow. But that coercion is not intended to bring about immediate and total integration, which Russia cannot presently afford. Rather, the intention is to create conditions for integration over time based on what Russia can afford and, more importantly, control. Energy figures prominently as one of the most important elements of what Moscow can control because of its ownership of existing pipelines and refinery capabilities. Thus, it has the ability to shut off energy in and out of these states if it so chooses.

Today, as in the USSR, Moscow consciously uses control of oil and gas as a weapon to force Ukraine, the Baltic states, and Belarus into economic integration and political unity with or submission to Russia.⁷ Contrary to predictions that Russia would collapse after the fall of the USSR and that Central Asia would then also break up, Russia shows every sign of a sustained offensive policy of coercion with a view to reintegrating the Soviet “economic space” on a Moscow-centric basis despite its current domestic crisis.⁸ The use of energy cutoffs, or threats to do so, began in 1990 when Mikhail Gorbachev used this weapon against the Baltic states to compel subjection to Moscow. Today energy has become both the stakes and a weapon in what amounts to a policy of economic warfare that is part of Russia’s larger strategy. On the other hand, Moscow’s efforts to control the production and shipment of oil have led the country into a three-cornered struggle among other oil producers, the international oil companies, and states that would be energy consumers but are resisting Russian demands.

The lucrative possibilities of being a key player in all aspects of the energy business, e.g., in redirecting energy trade flows to it and its transport network, also obviously stimulate Russian policy. In January 1994, Premier Viktor S. Chernomyrdin announced Russia’s interest in joining the Oil Producing Export Countries (OPEC) only to retract that view a few days later. But Russian interest in OPEC remains alive.⁹ In April 1994, Russian Energy Minister Yuri Shafranik stated his intention to further oil cooperation with Iran.¹⁰ This coincided with reports of Moscow’s interest in easing the embargo against Iraq. Commentators like Valery Lipitsky openly argue that Arab states should invest in Russian oil to prevent the West’s “takeover” of those assets and the ensuing decline of OPEC, and that they should also buy Russian arms.¹¹ Therefore, a deal with Iraq or other OPEC states may be brewing behind the scenes even though Russia increases its pressure upon other Commonwealth of Independent States (CIS) energy resources. That would have serious repercussions for the U.S. policy of dual containment of Iraq and Iran in the Middle East.

In its 1994 Russian National Security Concept, the journal *Obozrevatel-Observer* stated that the entire agenda of current security matters boiled down to two issues: the supply of Russian fuel and raw materials to other members of the CIS and the combat involvement of Russian troops in conflicts within the former Soviet borders.¹² It made the link between energy and security explicit.

The journal noted that all CIS members increasingly depended on restoring foreign trade with Russia and the outside world, especially in energy. The formation of sovereign states in the former Soviet sphere had undermined Russia's potential as an energy supplier or exporter because Russia had subsidized their energy use for years through 1993, and had received almost

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nothing for it. This caused massive losses and redirected Russia's vital foreign trade away from foreign customers who would pay market prices. Thus, world market prices and ending subsidies are vital interests even if Moscow had a positive trade balance in 1993 of R750 billion.¹³ At the same time, Russia's energy industry itself faces the threat of breakdown, declining production, underinvestment, and government arrears on a grand scale. The worst thing that could happen to it and to the country in energy affairs is the emergence of new competitors, backed by Western firms in the lands of these non-paying customers of Russian energy. Admittedly, the article continues, Russia could be suspected of a “Cold War” against the CIS members for reducing its supplies to them. But its continuing subsidization of them proves the opposite point. Therefore, Russia rejects the notion that there is no energy threat from other states. But its coercive policies will compel other states to reply in kind.

Central Asian states must also overcome those Russian subsidies of finished goods and refined energy products at prices below world market because the subsidies are running out and they cannot pay for them. The subsidies also encourage dependence on Russia, extend ill-conceived domestic energy policies, and stimulate inflation, Russian anger, and threats of energy cutoffs. Kazakhstan's and Turkmenistan's enormous reserves underground or on their shores of the Caspian Sea are a way out of backwardness and dependency.

But here fundamental problems intrude. These states are landlocked and far from major world trade routes. To trade abroad on their own, they must invest huge amounts of capital in transportation and infrastructure. Those sums are beyond them and the existing transportation systems all traverse Russia as Soviet planners intended to promote regional dependence on Moscow. Central Asia, as a whole, also faces desperate and worsening economic, demographic, and ecological problems.¹⁴ Hence, investment in transportation and infrastructure must come from abroad. Here begins the fight for trade and oil. Only oil revenues, or their prospect, can finance investments, modernization, and diversification of local economies. Formerly, control over transportation systems has been a prerequisite for control of Central Asia.¹⁵ Whoever controls trade and pipeline routes for goods and oil will decide the region's economic and political destiny.

In this context, Russia's energy policies are particularly dangerous to Azerbaijan and Central Asia. Russia, to cite the *Washington Post*, is “blackmailing” Kazakhstan and Turkmenistan regarding energy exploration and transshipment and holding them “hostage.”¹⁶ Western observers also note Russia's “proprietary attitude” toward local oil deposits.¹⁷ Still

more dangerous is the example of Russian policy toward Azerbaijan. Russia has sought to coerce Baku into granting Lukoil, a Russian oil company, a 10 percent share of revenues from future Caspian Sea oil finds without Lukoil putting up a dime of equity. Or else Russia is simply attempting to make it impossible for Western investors, led by a British Petroleum consortium, to operate there.¹⁸ Indeed, on 28 April 1994, the Russian government sent London (not Baku) a demarche claiming a right to veto any exploration in the Caspian Sea. This letter constituted a Russian ultimatum against any oil projects in the Caspian, stating that they “cannot be recognized” without Russian approval. This letter thus threatened Azerbaijan’s oil projects in which Lukoil already had a 10 percent share and the Chevron-Tengiz and Caspishelf projects in Kazakhstan (led by Mobil, BP, British Gas, Agip, Statoil, Total, and Shell).¹⁹ The letter states that,

The Caspian Sea is an enclosed water reservoir with a single ecosystem and represents an object of joint use within whose boundaries all issues or activities including resource development have to be resolved with the participation of all the Caspian countries. [It concludes that] any steps by whichever Caspian state aimed at acquiring any kind of advantages with regard to the areas and resources—cannot be recognized—[and] any unilateral actions are devoid of a legal basis.²⁰

This letter is instructive in several regards. First of all, as the *Financial Times* reported, it asserts Russia’s preemptive rights over Caspian energy ventures and implicitly over all energy ventures in the CIS.²¹ Thus it demonstrates Russia’s belief in its proprietary

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and imperial rights across the CIS over energy.²² Its date, 28 April 1994, was the day before France and the United States announced their support for a CSCE, and not an exclusive Russian, mediation of the Nagorno-Karabakh war. At the same time, President Geidar Aliyev was giving orders to expedite the final stages of negotiations on Azerbaijan’s oil with the British-led

consortium. This suggests Moscow knew that foreign pressure was coming and attempted a preemptive strike against it.

The demarche’s very blunt tone, and address to Great Britain, not Azerbaijan, confirms that Russia sees this as an East versus West question. Since there is no sign the letter was also addressed to Baku, the locale of its destination implicitly shows Moscow’s disdain for Azerbaijan or other littoral states as independent sovereign actors in world politics. If London or the West yields, Moscow seems to believe, so will Azerbaijan. Evidently the minister of foreign affairs and other high officials assume that if the Azerbaijanis and other littoral states are not dominated by Russia they will implicitly revert to a hostile anti-Russian, Western sphere of influence. This explicitly stated principle underpinned Soviet imperial policies, and much of tsarist thinking as well. Therefore, this letter illustrates the continuity of a Brezhnev-like doctrine of diminished sovereignty for other CIS members. The tactic of threatening bad things to happen unless Russia gets its percentage of the oil deal is also illustrative of a policy that resorts to brutal mafia-like tactics. Although

Chernomyrdin denied knowledge of this letter, once it was published abroad. Russia's press reiterated its arguments.²³

However, that is not the whole story. A second aspect of this episode is that Russia has had to come out into the open. The use of such spurious arguments that deny states their territorial waters and sovereignty with no basis in fact or international law evokes past Soviet brazenness and reflects Moscow's weakness, frustration, and desperation to retrieve its eroding imperial position. While the demarche is clearly menacing in tone, it apparently reflects Russia's awareness that Baku, Paris, Washington, London, and Ankara were on the verge of successfully resisting Moscow's pressure on the oil and Nagorno-Karabakh issues. It may be the opening shot in a campaign, but it is not a campaign born of strength. In fact, the opposite is true. While Aliyev's regime is hopelessly corrupt and cannot prosecute the war effectively or improve conditions at home, it will not fall into Russian hands if its diplomacy remains wily and resolute, and especially if the West supports it.²⁴

Arguably, the same conclusion holds for Central Asia, namely that Western resistance to imperial claims, coupled with local resistance, will safeguard Central Asia's independence. But that resistance has yet to appear. As noted below, it apparently will not come from the United States, the sole force capable on its own of checking Russian ambitions. However, were that resistance to develop, the rival foreign economic interests active in Central Asia could, given time and wise local policies, balance against any one power's local hegemony. While that is a demanding condition for local and international statecraft, it is hardly an impossible one.

Russian Economic and Energy Policies

Russian policy makers do not hide their ultimate objective to compel Central Asian reintegration with Russia on Moscow's terms, mainly by using economic levers. Except for the Russian forces deployed in Tajikistan's civil war who give Moscow a military entrée into the region, economic and political forces are Russia's most effective levers in this campaign. For Russian policy makers economic factors objectively impel reintegration. Both President Yeltsin and Chernomyrdin have reiterated that economic unity is but a prelude to military and political reunion. More recently Leonid Drachevsky, the head of the CIS desk at the Ministry of Foreign Affairs, stated that the objective factors of integration of the old USSR are much greater than anybody would have suspected. He then used this argument to justify economic reunion on the grounds that since nobody else will buy Russian products, the natural market for CIS republics is another ex-Soviet republic where people are accustomed to poor quality goods.²⁵ In other words, the economic reintegration that Russia proposes is devoid of any program for growth and looks backward to reestablishing the old Soviet inter-republican division of labor that brought Central Asia to such a desperate pass. At the same time, although the forms of the reunion are still to be decided, Russian policy makers openly use existing economic factors to shape political ends. But they decry other CIS states' efforts to do the same. Vice Premier Sergei Shakhrai said:

The difficult situation in the economy, the impossibility of defining borders and establishing customs control to protect the country's economy, and the undeveloped state of the budget, taxation, and banking systems mean that the factors of economic reintegration are being turned into a platform for internal political struggle in Russia and in other countries of the CIS.²⁶

Shakhrai also observed that Russia bears international legal responsibility for the Russians in the new states and that until their legal status is fixed, "We will be at the stage of a transitional period, and the methods and forms of Russian guardianship of compatriots will largely correspond to the quality of this transience."²⁷ Thus, he illustrates another example of how the Russian government unilaterally assigns a diminished international status to the sovereignty of CIS members and makes up equally unilateral legal pretexts for expansive political ends. The notion that Russia, or other states, has a unique international legal responsibility for its citizens abroad that transcends that of the state where they reside is as pure an example of the imperialist doctrine of extra-territoriality (that citizens abroad are not subject to the host country's laws but only to the country from which they are claimed—in this case—to have come) as one can find. Such reasoning and political claims, in and of themselves, evince extremely dangerous trends in Russian policies vis-à-vis all its CIS neighbors and the Baltic states, which Foreign Minister Kozyrev, for example, lists as the "near abroad."

Similarly, another Vice Premier, Alexander Shokhin, stated in November 1993 that Russia would deploy every instrument of economic policy to advance the causes of reintegration and the Russian diaspora. He stated that the issue of Russian-speakers (not just Russians) abroad would appear in all economic talks with Central Asia and CIS members generally. He added,

Moreover we shall negotiate the extension of credits solely with those states which will first conclude with Russia agreements on emigration with rigid obligations, including that on material compensation for migrants and second, conclude an agreement on dual citizenship. We tie politics with economics. The same is true of the condition of the Russian speaking people in the 'near abroad.' Whenever some benefits are requested from us, we are entitled to pose a question about the balance of interests I believe that with time we will all become accustomed to the thought that this does not amount to some imperial ambitions but a normal negotiating process.²⁸

In December, at the Ashgabad CIS summit, Russia tried to push through a dual citizenship clause for Russians in the "near abroad." Kazakhstan's President Nursultan Nazarbayev blasted this publicly as reminiscent of Nazi policy toward the Sudeten Germans. Subsequently, the clause was shelved. But Kyrgyzstan, whose economy is in desperate shape, granted this to stem the outflow of skilled personnel. Turkmenistan then followed suit by signing an agreement with Moscow on dual citizenship.

Apart from reconfirming and perpetuating Central Asian dependence on Russian economic help, Russia also seeks to codify a lasting privileged position for its "colons" (like France's Pied Noirs in Algeria) in the new states' economies. For instance, Foreign Minister Kozyrev stated that Russia insisted on putting the Central Asian states into the CSCE so that they could be arraigned in that forum, if need be, for failing to protect the civil rights of their Russian speaking (not ethnic Russian) minorities.²⁹

More recently, in July 1994, Yeltsin's commission for questions of citizenship, helped by the Ministry of Foreign Affairs, drafted an edict outlining guidelines for Russian policy toward CIS states where Russians live. The draft makes solution of issues of economic and military cooperation with CIS countries strictly dependent on their observance of the rights

and interests of their Russian communities. The guidelines state that talks on establishing Russian language radio and television service should be conducted and that enterprises with Russian workers and public organizations of Russian communities should receive support. Some share of Russian credits to CIS members should also go to support "Russian" factories, making what is routine practice vis-à-vis Kyrgyzstan and Uzbekistan legal. The edict went into effect on 31 August 1994,³⁰ essentially as another instance of Russia's ethnically derived justification for reviving the policy of extra-territoriality.

Russia's Economic Interests

Finally, more tangible oil interests are also at stake. Lukoil recently petitioned Moscow to appoint it coordinator of projects to develop oil and gas fields in the Caspian Sea shelf lest Kazakhstan, Azerbaijan, and Turkmenistan sign contracts with foreigners that "bewilder" Russian businessmen. Admitting that this is mainly a political question where the foreign ministry must lead, Lukoil president Vagit Alekperov observed that if Russia did not take such control over the Caspian shelf, it "risks losing its positions on the Caspian Sea."³¹

This bluntness is more credible than claims that Moscow is motivated by environmentalism. The same may be said for Turkey's new regulations concerning commercial trade in the Black Sea (although

Turkey has a better case given the size of Istanbul). Those too are motivated as much by a desire to restrict Russian domination of Transcaucasian and Central Asian energy economies as they are by ecological concerns.³²

But it is not enough to say that Russia or other states seek a dominant influence upon Central Asia's economies. Rather, these policies must be explained in context. Many Russian policies are influenced by domestic political pressures, e.g., solicitude for the Russian diaspora, or to some degree are required by the imperatives of reform, or by both factors. For instance, an end to energy and other subsidies for wasteful consumers and to inflationary trends involving the ruble are essential for Russia's own recovery. However, Russia, as the largest player in the CIS, cannot conduct its economic policy in isolation, so its major policies will have profound, sometimes even unforeseen, impacts upon Central Asian states. They too confront the same contradiction between new international responsibilities to each other and to the CIS as part of economic interdependence and their responsibility to reform and improve their own domestic conditions. Of course, all these contradictions can become intense, even irreconcilable, a fact rarely appreciated here or abroad.³³ Speaking of some of the policy decisions that took place in 1993, economist Shafiqul Islam observes,

"Many Russian policies are influenced by domestic political pressures. . . ."

The R-5 agreement to create a new ruble zone and the CIS accord to create a new economic union are two concrete (and confused) responses to the conundrum that the Central Asian and other non-Russian republics of the former Soviet Union face: efforts to speed up the cessation of the former economic *dependence* on Mother Russia and the dismantling of the Union economy's centrally planned economic *interdependence* greatly compound the macroeconomic and social costs of building a national economy where economic interdependence is determined largely by market forces.³⁴

Similarly, objective economic difficulties before independence and a continuing lack of capital prevent Central Asia from raising the technical or fiscal resources to operate armies sufficiently large to guard against very real regional threats. Since these states cannot provide for their own security they need foreign help.³⁵ Naturally, he who pays calls the tune. However Russia shows its concerns about Central Asian trends, it cannot remain oblivious to and aloof from them. Russian soldiers are obviously one of many means of exercising hegemony.

Russian policies for ensuring economic hegemony over Central Asia are another means of control and have evolved through several stages since the fall of the USSR. At first, Soviet-era subsidies to Central Asia for finished goods and energy products continued. Russia also let republican central banks issue ruble denominated credits so they could avoid the economic contraction that was imposed on Russia when the Gaidar government freed prices and launched economic reforms in 1992. This policy greatly stimulated inflation at home and undermined Russia's own economic interests. It was estimated that these subsidies cost 10-15 percent of Russia's GNP. But Russia quickly decided to overturn that relationship and force Central Asian republics out of the old ruble zone into a new market dominated system that gave Russia substantial control over their economies.³⁶ In 1992 and 1993 Moscow began issuing ultimatums that the republics accept the Central Bank of Russia's monetary authority or stop issuing rubles as their domestic currency. That policy triggered a series of moves that ultimately led to the breakdown of the ruble zone and the creation of independent currencies by the Central Asia states except for Tajikistan. Though this might seem to be a declaration of Central Asia's independence, it only altered the form of dependence on Moscow. Fiona Hill and Pamela Jewett observe:

The republics have been encouraged to introduce their own currencies and abandon the [old pre-1993] Russian ruble. They have also been asked to peg the new currencies to the ruble, coordinate their economic and monetary policies with Russia, and desist from any actions that either lead to the creation of alternative economic zones [involving Turkey or Iran] or impinge upon Russia's access to strategic raw materials. In the case of Kazakhstan, [Kyrgyzstan], and Uzbekistan, Moscow is using their ethnic-Russian and Russian-speaking populations as an instrument to coerce them into playing by its rules. The end goal is a Russian-dominated economic zone within the CIS and the option of creating a new Russian ruble once economic stability has been achieved.³⁷

Since 1993 this process has been duly accompanied by numerous Kazakh, Uzbek, and Kyrgyz denunciations of Russia for exporting its inflation to them, not paying debts for goods obtained from Central Asia, and holding Central Asian oil pipelines hostage.³⁸

Clearly in 1992 Russia decided that the old economic relationship was a major obstacle to reform and to its interests. The government also concluded that Russia could not house an expected flood of Russian emigres from Central Asia. A third conclusion or justification for its policies is the pervasive Russian belief that Central Asia, if allowed to become truly independent, would inevitably become hostile, either through radical

fundamentalist Iran or some version of Pan-Turkism. A fourth, and possibly decisive consideration is that the government was also under fierce attack for failing to protect the Russian diaspora. Thus, in order to maintain Russians in Central Asia where they played a major role as a technical elite, prevent Islamic or Turkish revolution from spreading via some sort of domino theory, and redress inflationary balances in the economy, a new policy and strategy whose objective was reintegration and strategic denial of these areas to neighboring states has emerged.³⁹ This objective is explicitly laid out in the security and military doctrines of 1993.⁴⁰ Russia has pressured Central Asian states directly, or through the U.N., via the rhetoric of human rights, to grant Russians dual citizenship and extra-territorial privileges in Central Asia that are denied to the Central Asians in Russia. Not accidentally, this policy evoked Nazarbayev's comparison to Hitler's use of the Sudeten Germans.

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Russian experts and leaders also believe that foreign assistance alone cannot overcome Central Asia's profound economic-social ecological crises. Left to its own devices, the area will both stagnate and become a major source of threats to Russia. Reintegration, at a minimum, then becomes the only alternative.⁴¹ The government vigorously followed up this assessment by using direct economic pressure on weak states like Kyrgyzstan to grant Russians dual citizenship and to hold Kazakhstan's oil pipeline projects "hostage."⁴² For a long time to come, Russia can use its superior economic leverage to export its inflation through its ability to manipulate ruble balances and supply of various vital petrochemical products, among others, and preserve a role in Central Asia as colonizer vis-à-vis the colonized. As long as their oil remains undeveloped the Central Asian republics will continue to be "quasi-autonomous appendages" of the Russian economy.⁴³ Furthermore, Russia apparently intends for the West to continue to see the area through Russian eyes and accept this situation.⁴⁴ Foreign participation in oil and other ventures to foster Central Asia's economic independence from any one dominant economy or polity is essential to counter Russian imperial drives and is seen by Moscow as a fundamental threat to its interests. The campaign against Azerbaijan's contract with the British-led consortium is evidence of that. Thus, Moscow will make major efforts to use its control over Central Asia as a shaping tool of its foreign policy.

Well aware of Chinese concerns about an upsurge of Islamic or Turkic solidarity in neighboring Xinjiang, Russia partly bases its alliance with China on a common interest in keeping the area quiet.⁴⁵ It also deals with India on this basis, as the June 1994 communique of Prime Minister Narashima Rao and President Yeltsin attacking sectarian nationalism indicates.⁴⁶ Likewise, Turkey's initial efforts to invest in Central Asia and control the pipelines, thereby bypassing Russia in that domain, triggered a deep-rooted military and political antagonism to Turkey and a brisk and successful resistance to Turkey in Central Asia and Transcaucasia.⁴⁷ Finally, Moscow has also moved to keep Iran out by controlling foreign trade and energy routes, and by trying to make Iran depend on Russian arms and nuclear technology sales in return for a non-aggressive policy in Central Asia.⁴⁸

The Current Situation

More recently, the emphasis has shifted to the struggle over energy pipelines and explorations. That trend is partly due to developments in Transcaucasia and the expectation of Western exploration and massive investment there and in Central Asia. Fear of that trend has caused intensified Russian pressure in Kazakhstan and Turkmenistan for oil privileges as well as for dual citizenship for Russians there. Kazakhstan is well aware of the threats that Russian pressure presents. Almaty clearly articulates its need for Western support against those threats. Foreign Minister Kanat Saudabayev told NATO,

Kazakhstan is obliged to pursue its foreign policy in the context of the existing balance of forces and interests, with certain states waxing stronger and other nations growing weaker, and with no firm guarantees that zones of conflicts or instabilities will not appear in direct proximity to Kazakhstan or jeopardize its security. As a consequence, the Republic of Kazakhstan has no alternative but to strengthen its own and regional security, strive to attain real economic independence, and become gradually integrated into the world community. To improve [the] international situation and in order to strengthen stability and security, it is most important to develop international contacts and cooperation. The role of international organizations, including NATO, can therefore hardly be overestimated.⁴⁹

Prime Minister Sergei Tereshchenko was even more specific in talking about Kazakhstan's foreign economic relations. He said,

We have been convinced repeatedly that for our foreign partners a serious guarantee of the development of economic ties with Kazakhstan is the level of its interstate relations with other countries, the existence of contracts and agreements that determine priority spheres of cooperation, direct participation in negotiations on large projects by the head of our state and other leaders, and the course that is being pursued towards strengthening political stability in the Republic.⁵⁰

These statements indicate the stakes of energy independence for Kazakhstan and unintentionally display Russia's many points of leverage or pressure that it can employ to obstruct that goal.

Since Kazakhstan and Turkmenistan cannot refine their energy and convert it into finished goods, they turned to Russia and in 1992 and 1993 sought to exchange or barter refined oil for Central Asian cotton. But Russia learned that Central Asians preferred selling cotton to foreign currency buyers since Moscow was subsidizing their energy anyway. This forced Russia to look abroad for cotton and to sell oil to Central Asia and others for foreign currency.⁵¹ Marketization and global integration portended a competitive bilateral economic relationship as each side sought customers who could pay for their goods and options to avoid spending scarce foreign currency. That search added to Russia's motives to end its energy subsidies and destroy the ruble union.

Russia's tactic then became to get them "by their pipelines."⁵² Exploiting Central Asian dependence on Russian-controlled transport routes, Moscow, in 1993 and 1994, systematically began coercing Kazakhstan and Turkmenistan. In November 1993 Gazprom,

Russia's natural gas company, cut off Turkmen gas exports to Europe, the country's main source of profits.⁵³ Gazprom also began making major demands on both states concerning oil exports. Seeing oil debts as a way to foster integration, Russia promoted debt for equity swaps where the equity was shares in the republic's oil and gas firms.⁵⁴ That proposal meant effective Russian takeover of these companies. Russia also pressured Kazakhstan for preference in granting exploration licenses and to let it join the massive Chevron-Tengiz project.⁵⁵ Russia, as in Azerbaijan, then demanded sizable percentages of revenues from Kazakhstan's oil and gas projects in return for use of its pipelines. Russia reportedly demanded a 20-40 percent interest in Kazakhstan's fields under exploration.⁵⁶ It also insisted that the oil then be loaded onto Russian tankers, mainly in Novorossiisk, for export abroad.⁵⁷ There are unconfirmed reports that Russia won this concession. If so, it was also helped by President Clinton's public support for the Russian route, rather than an Iranian one.⁵⁸ Washington's opposition to Iranian involvement in Central Asian and Transcaucasian energy affairs remains a key element in United States policy and one that works for Russia's benefit as a result.

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In the spring of 1994 Russia issued the ultimatum on the Caspian to Great Britain (cited above) to prevent Western penetration of the region via oil, but nobody believed its protestations of concern solely for the environment. Less visibly, Russia blocked almost all of Kazakhstan's oil exports beginning in May. This deprived Kazakhstan of foreign energy sales, foreign currency, and the means for developing economic ties with the West, and forced Kazakh refineries to stop production.

Kazakh energy officials also believed that the pressure was connected to Russian demands for a share in their country's oil projects.⁵⁹ Therefore, they hurried to commission the construction of new pipelines and continue searching for alternative routes.⁶⁰ Clearly, Russia was signaling Kazakhstan and potential Western partners that unless they recognized Russia's interest they would never market any oil they produced. Russian pressure has also delayed the opening of the Chevron-Tengiz project and contributed to its spiraling costs, factors that, in turn, led Chevron to cut back investment in the project. Since that project is a litmus test for other foreign ventures, cancellation would be a catastrophe for Kazakhstan and leave it with probably no option but to turn closer toward Russia.⁶¹ Even if Azerbaijan's energy was not at issue, one could see the importance of the use of the Caspian Sea for Central Asian oil ventures.

Russia's pressure worked. By August 1994, Kazakhstan was allowed to send twice the previous amount of fuel through Russian pipelines and waterways.⁶² Kazakhstanmunaigaz, which produces oil and gas, handed over its export transit volume of one million tons of oil to Russia's oil company, Rosneft, for reexport.⁶³ These actions had far-reaching economic and ultimately political implications, compelling Almaty to sell oil to Moscow on the cheap, at about \$160 per ton, according to a news report:

As a result, Kazakhstan's oil producers, left with no hard currency income, were forced to assume high-interest bank loans. Industry experts said

Kazakhstan will have to export at least 250,000 tons of oil to pay off the loans. Almaty is counting on Moscow's consent to transit about 125,000 tons of oil through Russian territory in August and September. Kazakhstan would receive about \$20 million from these exports.⁶⁴

The same story applies to Turkmenistan. Russia cut off Turkmen gas exports to Europe and tried to make sure that Moscow was cut in on any future pipeline construction. Russia apparently bought Turkmenistan's gas supply at low prices and resold it to Turkey at a 300 percent markup. Throughout early 1994, Russia also negotiated with Turkmenistan, Iran, and Turkey to construct a pipeline to ship oil and gas from Turkmenistan and presumably through Russia to Europe, and to construct oil and gas complexes. Thus, Russia forced itself into that consortium. However, in June 1994 Turkish papers reported that Russian bureaucratic obstruction had held up work on the pipeline, and no concrete project has been drawn up yet. Consequently, the five billion dollars needed to lay the pipeline have not yet been acquired.⁶⁵ In Ankara's view, getting this oil and gas out through Turkey by 1996 is essential, so delay strikes at its vital interests.⁶⁶

“For the moment and the foreseeable future Central Asia’s military dependence on Russia is unavoidable and facilitates Russia’s belief that its real border is that of Central Asia with China, Iran, and Afghanistan . . .”

At the same time, Russia pressured Turkmenistan to grant the small number of Russians there dual citizenship. At the

Ashgabad summit, in return for Turkmenistan reversing its policy and finally joining the CIS, Russia signed an accord with the Turkmen government granting Russians parity rights and pledging joint regulation of migration flows. Even so, the Russian media attacked Yeltsin for selling out and not getting an ironclad agreement in return for Turkmen membership in the CIS. While the liberal media are naturally repelled by the semi-Stalinist cult of personality of President Saparmurad Niyazov and his policies that they dubbed “socialism in one emirate,” they are oblivious to the insult implicit in dual citizenship. But it is clear that Turkmenistan hopes to gain from having Russian troops defend it as it seeks pipelines with its neighbor, Iran. In Niyazov's words, “We have gained something by joining the CIS. We understand that. The only thing we don't want is to have the decisions that it adopts be binding on our country.”⁶⁷ Thus, Niyazov asserts that Russia is obliged to defend Turkmenistan, but he is free to go his own way. Such frank cynicism is refreshing, but it shows the futility of the CIS as an institution and Turkmenistan's confidence that it can escape exclusive dependence on Russia.

For all its authoritarianism, Turkmenistan appears relatively stable now. As an American observer writes,

If it appears that the Niyazov's government's policies are the reason for this, it must be borne in mind that the factors creating tension and conflict in other former Soviet republics are not present in Turkmenistan: there is no ethnic imbalance, there are no serious territorial claims by other former republics on it, and Turkmenistan's profitable natural resources are sufficient to fend off economic disasters.⁶⁸

If indeed Turkmenistan can resist pressure to alter its economic and domestic policies to Moscow's taste, it will prove Roland Dannreuther's assertion that even if these republics are now and for a foreseeable period dependent upon Russia, Russia is in an irretrievable retreat from Central Asia and the Muslim world.⁶⁹ For all the pressure to date, Kazakhstan and Turkmenistan still have and are exercising the option to find other routes for their oil and gas.⁷⁰ U.S. preference for a Russian route certainly does not bind these two states. Should other takers appear, Kazakhstan and Turkmenistan will likely move to them to gain freedom vis-à-vis Russia.

For the moment and the foreseeable future Central Asia's military dependence on Russia is unavoidable and facilitates Russia's belief that its real border is that of Central Asia with China, Iran, and Afghanistan—the old Soviet border. But this dependence upon an intrusive Russian presence also means that Russia cannot cut these republics off and must spend scarce money to protect them. And there are increasing signs that Russia is willing to obtain reintegration only if it does not have to pay for it. Naturally this is a contradiction that cannot be resolved. But any attempt to coerce Central Asia into dependence on Moscow as before without a corresponding willingness to invest in its reconstruction spells disaster for both all involved. Already Russian costs in Tajikistan are high and growing, but little solution to that war is yet apparent. It could also be argued that Russia has in effect guaranteed authoritarian rule in Uzbekistan by its commitment of troops there and cannot, for all its pressure, break Central Asian economic progress and foreign economic integration.⁷² Too harsh a policy, as is now the case, could yet rebound upon a Russia that cannot afford an empire by making the fiscal and material costs unbearable and by leading Russia into a situation where its allies' and clients' interests, not Russian ones, dictate Kremlin policy.

This outcome could be the real future of Russian relations with Central Asia. And it would not be one that is beneficial to either party. Strategic denial in an era of global economic interrelationships is prohibitively costly if not infeasible. Azerbaijan's case shows that. Central Asian states themselves can relate to foreigners who, even when they want stability, are also establishing stakes in the region that are incompatible with a Russian empire in any new form. This is particularly the case with Russia's major regional contenders: China, Pakistan, Turkey, and Iran. If Russian pressure is too strong, it could lead the Central Asian states to act against Moscow's interests or to collaborate with regional contenders or with prospective Western and Japanese support in the background. Since Russia can no longer monopolize the region and the Russian populations are in clear retreat from residence there (emigration being about 1 million a year for the last five years), the current economic pressure on the region, though dangerous, may ultimately prove to be unsustainable.

The most recent developments in Azerbaijan's case suggest that Russia's drive is encountering precisely these difficulties. Despite the pressure from Russia, Baku signed the oil contract with SOCAR, including Lukoil, on 20 September 1994. Notwithstanding Lukoil's presence at that ceremony, which signified its hopes of obtaining a sizable amount of revenues from its share in the projects, the Ministry of Foreign Affairs publicly and strongly has rejected Azerbaijan's right to make this contract, arguing along lines like those of its April demarche. Thus, there are internal divisions within the Russian government over policy in Azerbaijan. Nonetheless, Russian governmental factions may well reunite over the issue of pipelines since adherence to a purely Transcaucasian pipeline would

freeze Russia out of the region, and out of Central Asia, which could then link up with that new pipeline through the Caucasus.

Accordingly, the real question and pressure to be expected will come not over the fact of exploration as much as over the issue of transporting the oil through pipelines. Although

“U.S. policies toward Central Asia are, in practice, calls for democratization, pressure to open doors for U.S. investment, and support for Russia as a model and leader.”

the divisions within the Russian government could possibly be exploited, viewed in this context, the Ministry of Foreign Affairs will reunite with the Ministry of Fuel and Energy and Lukoil to secure their interests at the next stage.⁷³ These trends suggest that, despite whatever divisions may occur within its own ranks, the Russian government will not willingly let go of the effort to subordinate Transcaucasia and Central Asia to its own economic and

political interests and compel institutional reintegration on Moscow's terms. In that case Moscow is running formidable risks with incalculable consequences.

United States Policy

Although Central Asia does not affect vital U.S. interests, both the Bush and the Clinton administrations have articulated an interest in the region's democratization, development of market economies, and denuclearization, and in discouraging Islamic fundamentalist influences. Indeed, it is fair to say that a basic governing principle of U.S. policy in Central Asia has been its determination, as part of the broader policy of dual containment of Iraq and Iran, to obstruct any Central Asian rapprochement with Iran. Current policy's fundamental goals are democratization of the region through open and fair elections, freedom of assembly to form political parties, and freedoms of speech, press, and religion. In pursuit of these democratic goals, U.S. officials are promoting a series of linked policies. In practice, U.S. policy's main line is, as Deputy Secretary of State Strobe Talbott stated, “focusing on those areas of the globe where success in one country or region will have an influence on surrounding areas.”⁷⁴ This means, and American Talbott does not hide this view, that support for Central Asian reform is mainly targeted on Russia in the belief that if reform succeeds there it is more likely to succeed among Russia's neighbors. Indeed, this perspective has become policy and is enshrined in President Clinton's national security statement for 1994:

Russia is a key state in this regard. If we can support and help consolidate democratic and market reforms in Russia (and the other newly independent states), we can help turn a former threat into a region of valued diplomatic and economic partners. In addition, our efforts in Russia, Ukraine, and the other states raise the likelihood of continued reductions in nuclear arms and compliance with international nonproliferation accords.⁷⁵

So much for Central Asia. However, reform in Russia, to be successful, should lead to a renunciation of neo-imperialist programs where it coercively diminishes its neighbors sovereignty. The evidence presented here shows the opposite happening. This does not mean reform in Russia, as such, has failed. Rather it is not what its foreign supporters claim

it to be, i.e., a model for Central Asia or a basis for an end to empire.⁷⁶ Better knowledge of the history of Russian liberalism and of Bolshevism, from which Russia's new elite emerged, would indicate a shared commitment to empire and to a belief that the ontological backwardness of Central Asia requires Russian guidance. Nor is it sufficient for the United States to cast foreign states as models for third parties because those models, like Turkey and certainly Russia, have a nasty habit of taking their role too seriously. Since Russian policy in Central Asia evidently is headed in a neo-colonialist direction, any "strategic alliance with Russian reform" translates into acceptance of Russia's neo-imperial or neo-colonial relationship to Central Asia. To outside observers, acquiescence to a Russian sphere of influence in Central Asia is exactly what the policy looks like.⁷⁷ This relationship cannot sustain true market reforms in either Russia or Central Asia or promote democracy in either venue since neither Russia nor the Central Asian states are interested in repeating Mikhail Gorbachev's imperial disintegration.

U.S. policies toward Central Asia are, in practice, calls for democratization, pressure to open doors for U.S. investment, and support for Russia as a model and leader. Unfortunately, these policies embrace a mutually contradictory logic since support for Russia here means closing the door to foreign investment and to democracy, which cannot flourish under conditions of neo-colonial dependency and the blasted ecologies and economies of Central Asia. As it is, Russian pressure on Kazakhstan may lead Chevron to reconsider its investment in the Tengiz oil fields, which is a litmus test for other Western investment.⁷⁸ To overcome this contradiction, U.S. policy cannot reconcile demands for an open door and democratic market with support for what apparently are renewed Russian hegemonic aspirations.

Conclusions

Space has precluded a detailed discussion of the Central Asian states' own policies to encourage regional unity or integration and international competition among those seeking to influence their trajectory. But these policies and yearnings for unity do exist and constantly arise in attempts at true joint action in economics and ecology.⁷⁹ These joint efforts should be encouraged along with support, not for Russian efforts to close out Western influence, but for multilateral Western support that is based on the region's economic and ecological needs.

This analysis strongly suggests that Russia is overplaying its hand in Central Asia. Russia could well obstruct for a long time the rebirth of Kazakhstani and Turkmenistani economies through energy exports. But it does so at the risk of inflaming those republics' and their neighbors' already desperate economic-ecological situations and thereby fanning further the waves of civil strife now present in places like Tajikistan. By attempting to force these states into a subservient, undeveloped posture under its auspices, Russia continues to contribute to the conditions that virtually guarantee continuing conflict along its periphery. Moreover, it cannot, under present circumstances, support the economic reconstruction of Central Asia that is called for. Russia's policy of economic integration is based on reintegrating pre-existing trade linkages and networks but offers no coherent plan for economic growth either in Russia or in the neighboring states. Therefore, reintegration on Moscow's present terms will only reconfirm Central Asia's dependent backward status as an exporter of raw materials and will not allow it to deal with the crushing problems of overpopulation, unemployment, underemployment, industrial growth, and the truly

terrifying ecological crises it faces. A Western policy that ignores the region and focuses strictly on Moscow only abets Moscow's current but wrongheaded policies.

When viewed in strategic perspective, Central Asia, because of its marginality to the West and importance for the states discussed here, becomes a prime example of what multilateral Western and Russian help acting together could do to alleviate tensions in potential future hot spots. Moreover, the threat in and to Central Asia is not extreme forms of Islam, as such. Iran is itself gripped by a profound economic-political crisis and is not actively exporting much of anything to Central Asia. As Iran's internal crisis shows, fundamentalism has no answer to the present crisis of Muslim civilizations.⁸⁰ Rather, it is a cry of despair over the failure of other alternatives. Therefore, we should not adopt policies that intensify the chances for such failure in Central Asia.

Two conclusions flow from this. The first is that it is in the real interests of Russia, the United States, and the Central Asian states that Moscow and Washington support each country's efforts to achieve a full measure of economic sovereignty and authentic development. United States' support for Muscovite economic domination of the energy industry, and hence of local economies, sends Russia the wrong signal regarding its imperial proclivities and tempts it into deeper engagements than it can support. That outcome will have profoundly unsettling consequences for everyone. Nor does it contribute to the true flowering of market economics and ultimate democracy in these states. Rather, it integrates them as backward dependencies into a Moscow-centric economic system where Moscow has every reason to continue its present policy of supporting the authoritarian rulers of Central Asia. Such a status will surely help Central Asia become once again a center of instability and the object of very strong international rivalries as happened during the "Great Game" a century ago. Given the growing centrality of internal peace and economic development of this area to China and its priority in the policies of Iran, Pakistan, and thus India, an American policy oriented toward Moscow also ultimately weakens possibilities for a broader Asian security system.

The second conclusion is linked to the first. In fact, Iran's ability to threaten Moscow's or Washington's vital interests here is steadily declining. Because of its internal difficulties, Tehran is in retreat in the Middle East and faces daunting domestic problems. A U.S. policy that actively contributes to Iran's difficulties does not bring about conditions for an improvement in relations and leaves Iranian leaders who are so inclined no room for maneuver. Provided that there are such forces who could be encouraged even by tacit actions, such as tolerance for more economic cooperation with Central Asia, it would be in our interests to encourage them. As Lt. Gen. William E. Odom (U.S. Army, Ret.) observed,

A rapprochement with Iran today would dramatically alter the strategic configuration in the[Persian] Gulf. In time it could reduce the requirement for U.S. military presence, though not totally. It could head off a nuclear weapons proliferation problem in Iran, box in Iraq, ease Turkey's security problems and allow Turkey to cooperate in achieving stability in the Transcaucasus, preferably in cooperation with Russia—if Moscow decides to retreat from its goal of uncontested hegemony there.⁸¹

For Central Asia, economic reconstruction is the main issue. That is where both Western and Russian, not to mention Chinese, and Asian, efforts should go. The

International Monetary Fund (IMF) behind which stand the United States and the West, has recommended a single package for Central Asia much like that it recommended with disastrous results for Russia.⁸² This will not do. Rather, it is imperative that the Central Asian states be allowed to trade freely with whomever they want and sell and ship their oil as they please. There are numerous reasons for this.

First, if foreigners are closed out of their market, Central Asians will have no choice but to rely on antiquated Russian infrastructure for their energy production, extraction, and transportation. These technologies are woefully inadequate, under capitalized, poorly maintained, and extremely insensitive to the environment. They will only further blight the already ruined Central Asian ecology, bringing about conditions that will make the area another Lebanon or Somalia.⁸³ Western and Japanese technology, on the other hand, offers much more ecological promise and is more economical. Also, it is in the West's interests because it will diversify the number of oil suppliers, thereby adding downward pressure on oil prices and blocking Russian imperial temptations. It will also force Russia to reform its antiquated and crisis-plagued energy economy rather than trying to avert the needed structural reforms as has been the case until now.⁸⁴ Only Central Asian revenues and the absence of competition can enable that industry and its leaders to carry on their ruinous course and avoid the needed reforms.

By fostering a true integration of Central Asia with the West, we can help the area overcome its problems and adopt rational and beneficial economic policies that will create real conditions for the political reforms we seek. One rational step would be to deepen the ties with the ECO despite the former internal Turco-Iranian rivalry there. The ECO provides alternatives to Russian trading routes through the Persian Gulf. The ECO will provide a means for efficiently exchanging Iranian refined oil for Central Asia's electricity surplus and regional infrastructural improvement. Local manufacturing and the producers of consumer goods stand to benefit from a larger market with improved ability to sell their product. And the ECO could usefully discuss regional and transnational cooperation in economics, ecology, and ultimately security.⁸⁵

Helping Central Asia toward greater regional integration, sustained economic reform, and growth meets the needs and interests of local governments and peoples who have little time to spare—or room to maneuver given local ecological conditions and foreign rivalries. Regional cooperation will divert Russian energies to more cooperative avenues and thereby strengthen the forces of market democracy in Russia. Any policies that encourage neo-imperialism in Central Asia help no one: neither Russia, nor Central Asia, nor the United States. Moreover, regional integration will also prevent Iran from being able to maximize its influence in negative ways when the inevitable crisis appears, though that has yet to occur in visible fashion. Integration also prevents any one power from feeling aggrieved or threatened by developments there since economic advancement undercuts fundamentalist appeals that are based on modernization's failures to date. United States promotion of such regional cooperation will also strengthen our calls for political reform because it will join with developing indigenous forces who demand reform and a devolution of power downwards. And lastly, promotion of such ventures will create a local balance that contributes to deterring a new great game and rivalry among interested outside states.

Though these may not be vital interests for America, they are vital for Central Asia's neighbors, China, Pakistan, Iran, Russia, and Turkey. None of the Asian powers alone is now ready or able to contest the developing Russian imperial thrust there. But that thrust cannot remedy either local conditions or Russia's weakness. Rather Russia's imperial drive

compounds and unites those forces. While Central Asia itself may not be vital to the West, the explosion that will ensue if we abandon it to Moscow will spare nobody from its wrath.

Notes

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4. Ehteshami and Murphy, 95-104; Freedman.
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10. Teheran, *IRNA*, 19 April 1994, *FBIS-SOV*, 20 April 1994, 17.
11. Moscow, *Nezavisimaya Gazeta*, 30 March 1994, *FBIS USR*, 20 April 1994, 31-32.
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76. If anything, the open scorn of Russia's leaders for the sovereignty of the republics is being ever more openly voiced, as is pressure for economic integration. Moscow, *Interfax*, 18 August 1994, *FBIS-SOV*, 19 August 1994, 1; "Rumyantsev Calls for CIS to Be Turned Into Russian Union," *RFE/RL Daily Report*, 29 August 1994.

77. Steve Erlanger, "East Europe Watches the Bear, Warily," *New York Times*, 21 October 1991, A10.

78. Pasztor, A3.

79. Moscow, *Nezavisimaya Gazeta*, July 1994, *FBIS-USR*, 28 July 1994, 5, 12.

80. Scheherazade Daneshkhu, "Iran Simmers With Discontent," *Financial Times*, 14 August 1994, 4; Elaine Sciolino, "Iran's Difficulties lead Some in U.S. To Doubt Threat," *New York Times*, 5 July 1994, 1, 47; James Bruce, "Land of Crisis and Upheaval," *Jane's Defence Weekly* (30 July 1994): 30.

81. William E. Odom, "This Time Let's Dispense With the Moral Self-Indulgence," *Washington Post Weekly*, 24-30 October 1994, 23; Laura Drake, "Still Fighting the Last War," *Middle East Insight*, 10 (September-October 1994): 41. It is revealing that in an interview in the same issue of this journal, Martin Indyk, the National Security Council official for the Middle East, does not even mention Central Asia in discussing policy towards Iran, "Peace and Containment," *Ibid.*, 30-37.

82. Kiaras Gharabaghi, "Development Strategies for Central Asia in the 1990s: In Search of Alternatives," *Third World Quarterly*, 15 (March 1994): 117.

83. Ibid., 112-13.
84. Peter Fuhrman, "What Boris Gives," *Forbes* (15 August 1994): 42-43; *RFE/RL Daily Report*, 10 August 1994.
85. Gharabaghi, 116.