

# Forschungspapiere Research Papers



**PFH**

PRIVATE UNIVERSITY  
of Applied Sciences

No. 2009/01

PFH.FOR.080.0906

## **Is Russia Winning in Central Asia?**

Spechler, Martin and Spechler, Dina

## **Lebenslauf**

### Curriculum Vitae

Martin C. Spechler is Professor of Economics at IUPUI and faculty affiliate of the Inner Asian and Uralic National Research Center, Indiana University. As one of the internationally leading experts on Central Asia, he has visited the region many times as a consultant and researcher for the Asian Development Bank, World Bank, Global Development Network, and USAID. A Ph.D. graduate from Harvard University, Spechler is the author of more than 100 articles, book reviews, and chapters in collected volumes, and is book review editor of Comparative Economic Studies. His latest book *The Political Economy of Reform in Central Asia: Uzbekistan under Authoritarianism* (Routledge) was published in 2008.

Dina R. Spechler is Associate Professor of Political Science at Indiana University-Bloomington. [spechler@indiana.edu](mailto:spechler@indiana.edu)

#### **Contact data:**

[spechler@indiana.edu](mailto:spechler@indiana.edu)

# **Is Russia Winning in Central Asia?<sup>1</sup>**

*Martin C. Spechler<sup>2</sup> and Dina R. Spechler*

Under Vladimir Putin's leadership Russian foreign policy became more ambitious and assertive, especially since 2004, when Putin's hopes for a partnership with the Bush Administration finally came undone the Baltic states' acceptance into NATO and Western support for the Orange Revolution in Ukraine. Since then rising revenues from oil and gas have strengthened the apparent consensus among Kremlin policymakers and the public in favor of restoring Russia's dominant role in the now independent parts of the former Soviet Union. None of them has achieved adequate countervailing power to defend themselves in any confrontation with Russia, except for the new members of NATO. Even for them, with the invasion of Georgia, it is far from clear how vigorously the older members of NATO or the EU will defend the interests of the newer ones, let alone prospective members.<sup>3</sup>

The invasion and occupation of part of Georgia proper, along with its two breakaway regions, has not reassured Moscow's friends in Central Asia, and has even engendered distinct nervousness in multi-ethnic Ukraine, which has made overtures to NATO. According to Konstantin Zatulin, a member of the Duma's committee that monitors Russia's relations with the Commonwealth of Independent States committee, "They [CIS members in Central Asia] are feeling they, too, might wind up in trouble. That's the reason for their cautious

---

<sup>1</sup> Paper presented at the conference "Institutions, Institutional Change, and Economic Performance in Central Asia" organized by the Private University of Applied Sciences Göttingen on 25-26 September 2008.

<sup>2</sup> Martin C. Spechler is Professor of Economics, IUPUI, and faculty affiliate of the Inner Asian and Uralic National Resource Center, Indiana University, Bloomington, Indiana, USA 47408. Dina R. Spechler is Associate Professor of Political Science at Indiana University-Bloomington. [spechler@indiana.edu](mailto:spechler@indiana.edu)

<sup>3</sup> Although Article 5 of the NATO treaty stipulates that an attack on one member will be regarded as an attack on all, no specific actions are mandated.

reaction.”<sup>4</sup> Kazakhstan’s President Nursultan Nazarbaev released this statement just after the invasion: “The principle of territorial integrity is recognized by the entire international community. Difficult interethnic issues should be worked out through peaceful negotiations. There can be no military solution for such conflicts.”<sup>5</sup> At the recent meeting of the Shanghai Cooperation Organization, Russia’s fellow members – led by China – refused to join it in recognizing the independence of South Ossetia and Abkhazia, which Russia had proclaimed.<sup>6</sup> Instead, the Dushanbe Declaration called for all parties in the Caucasus to resolve “existing problems” through dialogue and negotiation, not the use of force. Uzbekistan’s President Karimov called for cooperation with NATO in stabilizing Afghanistan. Remarks like these would not have been made in the days of the USSR.

In light of this display of independence, one might ask whether Russia is succeeding in asserting its will in one of its former colonial areas, Central Asia. The sixty million inhabitants of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan all lived under Russian suzerainty for more than a century. None had truly independent institutions, even separate existence, for much of that time. There remain millions of Russian citizens living the region, and Russian continues to be the lingua franca of the area.<sup>7</sup>

President Putin declared that the Central Asian part of the “near abroad” is a “key national interest.”<sup>8</sup>

---

<sup>4</sup> Jeanne Whalen and Darisa Solovieva, “Moscow Allies Careful in Conflict,” *The Wall Street Journal*, August 20, 2008, p. A13.

<sup>5</sup> Ibid.

<sup>6</sup> Tajikistan has indicated it will in the future recognize the two would-be statelets.

<sup>7</sup> About 30% of Kazakhstan’s population are ethnic Russians; the percentages are much smaller elsewhere.

<sup>8</sup> Roman Kupchinsky, “The Putin Doctrine,” *RFE/RL Newline*, vol. 7, no. 204, Part I, October 27, 2003. Quoted by Elizabeth Wishnick, *Strategic Consequences of the Iraq War: U.S. Security Interests in Central Asia Reassessed*. (Strategic Studies Institute, 2004).

Both he and his successor, Dmitry Medvedev, chose that region as recipient of their first official visits abroad – Putin travelling to Uzbekistan, and Medvedev to Kazakhstan. During the spring of 2008, Prime Minister Putin announced a new federal agency to coordinate CIS affairs. Quite likely, this signals heightened interest – or dissatisfaction with what has so far been achieved in the “near abroad” by the Foreign Ministry, whose emphasis is on state-to-state relations. The new agency may try to penetrate NGOs, parties, and other social groups, much as the CPSU and Comintern did in Soviet times.<sup>9</sup>

Considering the geographic, demographic, and economic realities in Central Asia, one would expect Russia to be the dominant outside power there. Moscow is closer to the area than Beijing or Washington, it has more contacts with the local military and intelligence agencies, and its own economy (especially its Gazprom energy conglomerate) depends more and more on raw materials from Central Asia.<sup>10</sup> The USA is fully occupied in Afghanistan and Iraq, and neither of these operations requires logistical support from Central Asia anymore. China’s interest in energy and suppressing Uighur separatism are easily taken care of without an unwelcome presence from this alien and overwhelmingly numerous neighbor.<sup>11</sup> Iran and Turkey have proved to be minor players owing to their own economic weaknesses and the unacceptability of their ideologies. Europe has yet to develop a full-blown foreign and defense policy outside its own neighborhood. Thus, Russia has what appears to be decisive advantages over all competitors.

---

<sup>9</sup> According to Mikhail Aleksandrov of the Moscow Institute of CIS Countries ([www.rosbalt.ru/2008](http://www.rosbalt.ru/2008)), cited by Paul Goble, “Window on Eurasia: Putin Restricts Russian Foreign Ministry’s Role in CIS Countries,” reprinted in *Johnson’s Russian List*, May 15, 2008, #39.

<sup>10</sup> Moscow is about 1400 miles from Tashkent; Beijing is 2400 miles distant. Iran is closer, but practical transportation connections are much worse.

<sup>11</sup> An exception may be Kyrgyzstan, a notably hospitable and very poor mountainous country on the Chinese border. Here it is reported that China accounts for some 80% of Kyrgyzstan’s trade, and nearly 100,000 Han have taken up residence in apartments there in the last decade or so. Marrying Kyrgyz women, they obtain citizenship. [Fergana.ru](http://Fergana.ru), from RBK Daily, no. 64, April 10, 2008.

How have the Russians done with both the will and its many ways of exerting influence among these five disparate, independent states? They have not done well, even on their own appraisal. Western defense analysts, who are professionally trained to highlight Russian capabilities throughout the world, often neglect the limits of Russian competence and credibility, as well as the meager results of their efforts up to now. Like Russian analysts, many outsiders are inclined to dismiss the abilities, cleverness, and pride of the Central Asians. Just as the USA might be said to have a post-imperial hangover with regard to Central Americans, which leads Americans to underestimate them based on their “funny accent” in English, Russians persist in an arrogant disdain for the “black” denizens of the Caucasus and Central Asia.

To evaluate Russian success, one must posit the Putin-Medvedev administration’s operational objectives in the region. At the strategic level these goals would include exclusion of the USA, NATO, and other potential rivals. In this Russia has had little success. Though the Americans were expelled from the airbase at Karshi-Khanabad in 2005, German airmen remain. American business, never expelled, has reasserted its presence with a General Motors contract. Uzbekistan’s much acclaimed strategic accord with Russia in 2006 was in fact just a framework agreement which envisaged cooperation in case of instability but required prior Uzbek approval for any entry of troops. Despite its agreement in principle to participate, Uzbekistan absented its soldiers from exercises of the Collective Rapid Deployment Force of the CSTO, dedicated to defending against terrorism and drug trafficking.

The Kyrgyz Republic turned down the SCO recommendation to close down the US-NATO airbase at Manas, near Bishkek, and apparently has done so again at Dushanbe. That base has more than twice the number of personnel as the Russian one at Kant, although reinforcements have been promised. It is true that Kazakhstan and some of the other Central Asian countries receive deeply discounted equipment from Russia, and Moscow maintains

military forces in the two smallest and weakest states in Central Asia. Its 201<sup>st</sup> motor division numbers about 7000 troops supposed to protect Tajikistan from Afghanistan.<sup>12</sup> All the Central Asian countries participate in NATO's Partnership for Peace and receive both arms and training from the West. China has been very active in supplying Kyrgyzstan with military equipment.

Other declared Russian objectives have been protection from further Islamist terrorist attacks and entry of drugs into the Russian Federation territory. Islamists from Chechnya are active in and around the Caucasus. Seventy Russian policemen and others have been killed in "increasingly ungovernable" Dagestan and Ingushetia.<sup>13</sup> Despite cooperation and joint exercises with the secularist Central Asian regimes themselves, emigration of ethnic Russians continues. So does the flow of narcotics to Russia's millions of addicts, many of whom are victims of HIV. This is one consequence of Russian involvement in Tajikistan, where drug-related illness is rising fast.

Russia also wishes to obtain an unlimited share of the oil and natural gas from the region at prices permitting profitable resale in Europe. Here the situation is gradually slipping away from Gazprom, even if some pipeline projects are proceeding to increase their capacity to receive all the energy it can buy.<sup>14</sup> But under its new President Gurbanguly Berdymukhammedov Turkmenistan continues to sign contracts with all sides for more oil and gas than can probably be produced. The price charged has risen to \$150 per thousand cubic

---

<sup>12</sup> There are also 200 French troops in Dushanbe. Farangis Najibullah, "Russia Looks to Expand Military Presence in Central Asia," RFE/RL, June 16, 2008.

<sup>13</sup> *The Economist*, September 6, 2008, p. 30.

<sup>14</sup> Uzbekistan has recently agreed to allow a gas pipeline to traverse its territory from Turkmenistan enroute to Kazakhstan and Russia.

meters.<sup>15</sup> The long-awaited Nabucco gas pipeline from the Caspian to Central Europe will now have more difficulty attracting private investors, because of the Georgian occupation, but in all likelihood European governments will be more eager to step in to help get this alternative route built.<sup>16</sup>

Kazakhstan has turned to European petroleum engineers to exploit its rich, but geologically tricky, field at Kashagan in the Caspian Sea shelf. This country will eventually send 20 mT of oil to China, or about one-fifth of its projected output. Export through the undamaged Baku-Tbilisi-Ceyhan pipeline will also increase significantly. So when the *Business Week* Economics Editor Steve LeVine asserts that “effectively, Russia has already won the game,” he has missed some of the goals scored by the opposition.<sup>17</sup>

Even if Russia can extract more energy from Central Asia, a qualified economist ought to understand that increased supplies of either gas or oil benefit consumers everywhere by reducing the market price. Russia has not been able to control either the world oil price or even the price of natural gas to its biggest market, Western Europe.

As for trade in consumer or capital goods, Russia is far from reconstituting Soviet exclusivity.<sup>18</sup> The Kremlin is going along with the Eurasian Economic Community (EurAsEC), a project long championed by Kazakhstan’s President Nursultan Nazarbaev. Like

---

<sup>15</sup> See Birgit Wetzl, “Gas aus Turkmenistan für Westeuropa—Erfolgsaussichten und Probleme,” *Zentralasienanalysen*, May 30, 2008, p. 4.

<sup>16</sup> At a conference in Baku early in September the Azerbaijani Industry and Energy Minister Natiq Aliyev pledged continued interest in the Nabucco project. The Turkish Energy Ministry agreed. U.S. Vice President Dick Cheney has been lobbying for the project throughout the Caucasus. Bruce Pannier, “Nabucco Gets a Boost in Baku,” RFE/RL, September 10, 2008.

<sup>17</sup> Lindsey Alexander, “Seeking a Way Forward on Trans-Caspian Pipeline,” Radio Liberty/Radio Free Europe, September 2, 2008.

<sup>18</sup> In 2007 Kazakhstan took 35% of its imports from Russia, but this includes transit trade originating in other countries. The other Central Asians imported 8-26% of their purchases from or through Russia, with China’s share roughly equal to the Russian’s in Tajikistan and Kyrgyzstan. The OECD countries are important competitors in Uzbekistan (19%) and Turkmenistan (22%). *IMF Directions of Trade Statistics*, June, 2008.



many of such failed regional cooperation schemes in the past, this one has diverse and ambitious objectives on paper, including transportation, customs union with a common external tariff and single set of regulations for movement of labor and capital, to mention only a few headlines.<sup>19</sup> Uzbekistan joined in 2006. But little practical progress has been registered since.

Bilateral Russian-Kazakhstani trade has boomed along with the price and rising volumes of oil from the Tengiz, Karagachanak, and other fields in the north Caspian region. Besides petro-energy and hydropower, Russia is interested in the non-ferrous metals of Central Asia. But what does Russia have in return? China dominates low-end consumer goods imports, the West the high end and capital equipment. Russia has had its success mostly in selling arms and atomic reactors. Overall, Central Asia is not an important market for Russia. It accounts for just 4% of Russia's exports, about the same as in the 1990s.<sup>20</sup>

As for economic assistance, Russia has the money – or did up to the recent financial crisis – but there are many claimants closer to the Kremlin, not least the personal fortunes of the *siloviki* themselves. In April this year Benita Ferrero-Walner of the EU visited Tajikistan, which had experienced a fierce winter. Russia reportedly denied the Tajiks assistance, but the EU sent €8 million in relief aid. Ms. Ferrero-Walner promised to help defend the Afghani border, over which huge amounts of drugs travel. She also promised financing for the Rogun Hydroelectric Power Plant, a project neglected so far by the Russians. True, many deals for

---

<sup>19</sup> For details, see Martin C. Spechler, "Central Asia between East and West," *The Carl Beck Papers*, no 1904 (Pittsburgh, PA: Center for Russian and Eastern European Studies of the University of Pittsburgh, 2008), pp. 6-11. To write, "Henceforth the four countries of Central Asia ... now constitute an economic space that is in part unified with Russia and Belarus" is clearly premature. Marlène Laruelle, "Russia's Central Asia Policy and the Role of Russian Nationalism," (Washington, D.C.: Central Asia-Caucasus Institute and Silk Road Studies Program, Johns Hopkins University-SAIS, 2008), p.19.

<sup>20</sup> The figures for 2007 (\$13.5 billion in Russian exports and \$8.3 billion in imports) are inflated by the weakness of the U.S. dollar, high commodity prices, and (probably) counting goods in transit across Russia. V. Paramonov and A. Stokov, "The Evolution of Russia's Central Asian Policy," Defense Academy of the United Kingdom, Advanced Research and Assessment Group, June, 2008, p. 15.

future investments have been announced by the Russians. The three hydro projects in Tajikistan and explorations of gas fields announced by President Medvedev at the Dushanbe summit may well be of this promissory character. Before celebrating them, let's wait for activity on the ground, not to mention proceeds from these projects. Russia has energy projects announced throughout the region, but action is slow. For example, the modernization of the Aqtau-Samarqand oil pipeline is "not progressing very fast," according to a Kremlin source commenting on the Medvedev visit to Kazakhstan.<sup>21</sup> Central Asian regimes sometimes change the terms of the more profitable projects in their favor. This may also happen to Russian investors.

By contrast, China has been active in pursuing what it wants from Central Asia: energy. Already the 960 kilometer oil pipeline from Atasu to the Chinese border, constructed by the Chinese Petroleum Company, is pumping a modest amount of oil to Xinjiang. Within three years this network will extend 3000 kilometers to western Kazakhstan. A natural gas pipeline from Turkmenistan and Kazakhstan through Uzbekistan is under construction. Both China and the EU will be competitors with Russia for the natural gas and oil in the Caspian Sea off Turkmenistan.<sup>22</sup> China's Export-Import Bank is financing \$300 million for the Zeravshan hydropower station in Tajikistan. Other projects include railroad and road links from Xinjiang PRC to Kyrgyzstan, Tajikistan, and Uzbekistan.

Several Central and East European countries are cooperating in the oil pipeline to go from Odessa to Brody close to the Ukrainian-Polish border. Kazakhstan's energy may soon flow across the Caspian to be sent via the Baku-Tbilisi-Ceyhan pipelines to Western markets.

---

<sup>21</sup> Itar-TASS, May 22, 2008.

<sup>22</sup> Despite reservations about human rights violations in Central Asia from the Swedes, Dutch, and the Irish, the new EU Strategy on Central Asia has been implemented more in accord with German desires to conciliate the Central Asian states in the hopes of increased business. Cornelius Graubner, "EU Strategy on Central Asia: Realpolitik after All," *Central Asia-Caucasus Institute Analyst*, May 14, 2008. (More than 40% of Germany's natural gas comes from Russia, according to the Sobieski Institute. *The Economist*, September 6, 2008, p. 31.)

Russia was not able to block this initiative by Azerbaijan, financed by American and other Western oil companies.<sup>23</sup> Naturally, such competition is forcing Gazprom to offer higher prices for Central Asian natural gas.<sup>24</sup>

Over the last two decades, both China and other countries have established themselves in all the Central Asian markets. China has been very successful in Kyrgyzstan, where 62% of its imports in 2007 came from China, as compared with 17% from Russia.<sup>25</sup> China supplied 20% of neighbor Tajikistan's modest imports, about the same as Russia in 2007.

Although China is ominous to many Central Asians because of its population and its long-ago influence in Central Asia,<sup>26</sup> Russia can hardly escape blame for atrocities and environmental depredations committed in Central Asia during the Soviet period. President Islam Karimov has recently announced two new buildings to commemorate victims of the Russian "colonial regime." Here school children and other visitors will view exhibits from Tsarist times and "the Soviet period...when the cruelest repressions took place." On that very site in Tashkent Soviet secret police executed masses of "enemies of the people" during the 1930s. The Kyrgyz parliament has recently marked the 1916 rebellion of Kyrgyz against the

---

<sup>23</sup>According to U.S. energy statistics, Russia's Lukoil has a 15% stake in Karachaganak (the rest is Western), plus about 3% in Tengiz. Transneft is the largest shareholder in the Caspian Pipeline Consortium, though with significant participation by Chevron and Kazakhstan itself. [www.eia.doe.gov](http://www.eia.doe.gov) (accessed July 4, 2008). Kazmunaigaz has recently increased its share in the key Kashagan development, but Western oil companies retain the majority. Rosneft, Gazprom, and Lukoil do have agreements with KazMunaiGaz to exploit three smaller sites.

<sup>24</sup> *Moskovsky Komsomolets*, no. 108, May 22, 2008. Putin's suggestion that the SCO established a "price coordination mechanism" for energy producers is unlikely to be favored by China, which supports the right of Central Asian states to make individual deals. Erica Marat, "The SCO and Foreign Powers in Central Asia: Sino-Russian Differences," *Johnson's Russian List*, June 13, 2008.

<sup>25</sup> International Monetary Fund, *Directions of Trade Statistics* (Washington, D.C.), June 2008. The eventual customer of trade flows is sometimes obscured by the initial destination of a shipment.

<sup>26</sup> During the Tang Dynasty (618-907 CE) the Chinese Emperor controlled some of the oases as far west as Khojand in the Fergana Valley.

draft for World War I service and its bloody suppression by Russian troops. This resistance led to the Basmachi resistance in Central Asia, which lasted more than a decade.<sup>27</sup>

It is not too much to assert that Russians lack respect for Central Asians. Central Asians are associated in the public mind with terrorism, Islamism, and criminal mafia.<sup>28</sup> By practice and now by law, the roughly two million Central Asian migrant workers within the Russian Federation are frequently exploited, abused, and cheated with little interference from the authorities. A law of 2007 limits the number of non-Russians in wholesale and retail markets. Rising *russki* nationalism discounts the contributions of native non-Great Russian (*rossiane*) members of the Federation (Tatars, Chuvash, Bashkirs, Finns, Jews, etc.). References in respectable publications to the cultural and historical traditions of Muslim Central Asia<sup>29</sup> or its contributions to Russia are “extremely rare.”<sup>30</sup> Can all this escape the notice of Central Asians? Despite the complaints of a few specialists, moreover, recent Russian academic interest in Central Asia has been anemic and unconvincing, at best. One result of this neglect by “think tanks,” as some analysts say, is that the Russian government has no “national strategy” for Central Asia.

If Russia is not winning in Central Asia, does that mean that the West or China is? No, for several reasons. First of all, all three major powers have several interests in common. They all wish to suppress Islamist terrorism, as well as illicit trade in arms (including nuclear material) and drugs. Russia’s cooperation is crucial, and its failure is the failure of the entire

---

<sup>27</sup> Untitled article by Paul Goble, [rferl.org](http://rferl.org), May 9, 2008.

<sup>28</sup> Alexander Belov’s well-known Movement against Illegal Immigration, founded in 2002, promotes this association. Russia’s notorious “skinheads” put these animosities into criminal action.

<sup>29</sup> Parmonov and Stokov, above, p. 18, for unpersuasive assertions that “this region could be highly profitable for Russian business bearing in mind the ... production conditions, which are more favourable than in Russia: cheaper labour, lower construction costs, manufacturing capacity to be exploited, as well as an existing transportation and energy infrastructure.” This analysis assumes Russian entrepreneurs are ready to operate in Central Asia, as Koreans have done successfully.

<sup>30</sup> Laruelle, above.

civilized world. Second, as mentioned before, the competition for energy increases the world's supply of oil and gas and thus keeps prices in check. The distribution of whatever profits can be made by Russian-owned firms is secondary and of minor concern to other governments. Third, to the extent that the Central Asians have learned to encourage all forms of competition for their rhetorical and other favors, this helps the downtrodden populations of the area and arguably increases stability. Not all of the benefits from foreign aid, energy contracts, and basing rights will accrue to the autocrats and their associates. The booming city of Almaty attests to that.

It will, of course, be said that Westerners would want better respect for human rights in these countries, all of which have poor records.<sup>31</sup> Russia and China are little interested in promoting human rights and democracy, since more liberal regimes would naturally tend to ally themselves with the West, as Ukraine has shown. But the persistence of authoritarian regimes in the region probably owes little to present-day Russian and Chinese tutelage. In my opinion, progress in human rights and market economies is a largely unpredictable, probably long-term matter in Central Asia, dependent on the nature of successive regimes there and the reactions of the more Westernized elites now slowly taking shape. The West need not blame itself for “losing” Central Asia for democracy, as Ahmed Rashid has recently asserted.<sup>32</sup> Economic and military deals neither advance nor retard this process much. Indeed, there is evidence that modest progress in the Central Asian states requires an intermediate degree of material prosperity. Both boom and bust conditions constrain existing governments from taking the risks of political change.<sup>33</sup>

---

<sup>31</sup> Martin C. Spechler, “Human Rights in Central Asia,” manuscript, 2008.

<sup>32</sup> Ahmed Rashid, *Descent into Chaos* (New York: Viking, 2008).

<sup>33</sup> For an extended discussion of this, consult, “Human Rights in Central Asia.” above.

## **PFH Forschungspapiere**

## **PFH Research Papers**

2008/01 **Ahrens, Joachim**

Transition towards a Social Market Economy:  
Limits and Opportunities.

2008/02 **Schlosser, Martin**

Standarddeckende Patente als strategisches  
Instrument.

2008/03 **Pomfret, Richard**

Turkmenistan after Turkmenbashi.

2009/01 **Spechler, Martin and Spechler, Dina**

Is Russia Winning in Central Asia?

2009/02 **Melnykovska, Inna and Schweickert, Rainer**

Analyzing Bottlenecks for Institutional Development  
in Central Asia – Is it Oil, Aid, or Geography?

2009/03 **Ahrens, Joachim and Jünemann, Patrick**

Adaptive efficiency and pragmatic flexibility:  
characteristics of institutional change in capitalism,  
Chinese-style