

# Russian Policy in Central Asia: Strategic Context\*

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Russia has always declared that the countries of the Community of Independent States (CIS) are its foreign policy priority. Corresponding statements exist in *The Concept of the Foreign Policy of the Russian Federation*. However, few take this seriously. First, Russian leaders themselves have repeatedly admitted that the CIS is just “a form of civilized divorce,” which obviously does not allow for the perception of the CIS as a project with a future. That attitude has automatically transferred to other integration organizations promoted by Russia. Second, for all of the 1990s and a large part of the 2000s, Russia was strongly oriented toward relations with the Western countries. From the beginning, the West was a source of aid and political advice. It is true that such situation has been re-evaluated over time, and the attitude toward the West has become more and more negative. At the same time, the West remains the main source of investment, technology, and common ideas and values for Russian business. Nevertheless, the fascination with the West among the Russian political and business elite faded rather quickly. Beginning in the second half of the 1990s, the keynote of Russian foreign policy was set by pragmatic realists, whose views could be called *The Primakov Doctrine*.

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The Primakov Doctrine proceeded from the fact that the USSR actively participated in the formation of international law and it was, to a significant degree, a beneficiary of this. Therefore, Russian Federation, with a heritage of all the positions of the Soviet Union in this field, found international law to be advantageous on the whole, especially in the country's weakened condition and its lack of preparedness for "extralegal conflicts." Russia did not feel in itself the internal power needed to openly assert its own national interests and, possibly, was not even in a position to clearly formulate those interests. That is why Moscow had to wait for better time under the cover of international law. This approach was never stated in written form and nor even plainly verbalized. However, it is just this type of logic in Russian foreign policy that can be observed in the second half of the 1990s, when Yevgeny Primakov was Minister of Foreign Affairs and then Prime Minister. Significant diplomatic effort was spent on keeping the USA and NATO within the bounds of international law.

Such an approach assumed the allocation of limited effort on policy in the countries in the post-Soviet space, regardless of all declarative statements about how they are a priority of Russian foreign policy. Time and effort were primarily spent on relations with the USA, NATO, the G8, and other "big issues."

At the beginning of the 2000s, Russian business expanded internationally. As a result of this, *The Liberal Empire* approach was developed. The concept of the liberal empire was presented in 2003 by Anatoly Chubais. It comes down to the idea that Russia has no other choice than to expand its economic and political influence in the post-Soviet space. However, Russia should be neither a tyrant nor hegemony, and it should be just the opposite, that means a source of progress and guarantor of the observance of human rights. This is the national mission of Russia that makes the realization of national interests possible.

In the first half of the 2000s, Russia truly started to conduct a more and more purposeful policy in the post-Soviet space, including the Central Asia. The Collective Security Treaty Organization (CSTO) and Eurasian Economic Community (EAEC) were formed.

The Primakov Doctrine and the concept of the liberal empire co-existed — the first in declarative policy and occasions on deciding questions of big-time policy; and the second in practice.

However, it is unjust to say current Russian policy in Central Asia and in the post-Soviet space in general is within the scope of the concept of the liberal empire. When the start of the process to form the Customs Union (CU) was announced in 2009, this became one of the most-discussed topics among the Russian political and business elite. A. Chubais and other members of the reform camp initially came out sharply opposed to the CU since they feared its formation would complicate and delay Russia's accession to the WTO. Given a choice between participating in the process of globalization and regional integration, they went with globalization. Additionally, within the concept of the liberal empire, there was a certain values-based missionary element. Russia's approach today regarding the formation of the CU and the Common Economic Space (CES) is exclusively that of a pragmatic economic project.

#### STRATEGIC DILEMMA

Russia's strategic dilemma manifests a large discrepancy among three aspects: its geographic size, its population, and the scale of its economy.

Russia is in the first place on the world territory ranking. More than 17 million square kilometers, or 90 percent of its territory, is dry land. Not all of this vast area is accessible for economic activity, but it all needs border protection and defense.

Russia shares a long border with 18 countries. Among them, three are members of the Shanghai Cooperation Organization (SCO) — Kazakhstan and China as full members and Mongolia as an observer; only two are in the CSTO (Kazakhstan and Belarus). Without question, two of the states are friendly: Abkhazia and South Ossetia. However, before their independent status win wide international recognition (and progress toward this has been very modest over the past five years), they are not only elements of stability on the Russian border, but in a few scenarios, just the opposite: the components of instability. Six countries on the Russian

border are NATO members (USA, Poland, Lithuania, Latvia, Estonia, and Norway). One more country Japan is a close ally of the USA, but not in NATO. Three countries are currently not part of any anti-Russian or pro-Russian blocs: Finland, Georgia, and North Korea (PDRK). At the same time, North Korea is an element of instability. Georgia, who is drifting toward NATO (the speed of this movement has slowed over the last few years) and has extensive military, military-technical, and military-political ties with the USA, can be considered to be an American ally outside of NATO. The last one is Ukraine.

Of course, Russia has a few allies without sharing a border: allies in the CSTO include Kyrgyzstan and Tajikistan in Central Asia and Armenia in the Caucasus. The SCO formally unifies more than half the population of the planet, it accounts for a significant portion of the world's GDP, and it has member states that, like Russia, are striving to change the rules of the game in today's world to benefit developing economies. However, even if one was to count all the pluses (including the potential ones) and exclude the challenge China presents to Russia (and the scary stories about "the China threat"), the picture still does not look distinctly favorable for Russia.

Altogether, there are eight trusted allies of America on the Russian border. They are connected to the USA by a system of bilateral and multilateral military-technical and military-political treaties. In the worst case, this is a potent force ready for military actions on various scales near the Russian border, primarily in European area. The ranks of Russia's allies are clearly not so impressive. In worst-case scenarios, most of them take a neutral position instead of that the standing of a full ally.

This serious surroundings look like a picture that is advantageous for Russian military strategists. Besides, the trends are not helpful. The USA has gained allies on the Russian border at varying rates, but Russia has had limited success in organizing a system of allies in the CSTO. Additionally, some member states have left the CSTO and the CIS, and their exits were accompanied by their expanded collaboration (including the military cooperation) with the USA.

The population of Russia is approximately 143.5 million. By the United Nations' standards, Russia has already had a demographic crisis for a long time.

The Russian economy in absolute numbers is worth approximately 2 trillion US dollars. From a purely economic standpoint, Russian economic success is obvious. In the middle of the 1990s, Russian GDP was about 300-400 billion dollars, and in 1999 it fell to less than 200 billion dollars. At that time, Russia was the 22nd economy in the world. Incidentally, judging by purchasing power parity, the Russian economy has already risen to eleventh place in the world. The success of the last 15 years is obvious. Now with a value of 2 trillion dollars at current prices, Russia closes out the top eight economies in the world. If measured in purchasing power, the Russian economy is the sixth largest on this planet. Even with all those successes, the size of the economy is, as it was before, not sufficient regarding Russia's spacious territory.

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For a sure ability to defend such an extensive area, either a huge and relatively cheap army or a not large but much more expensive army, is needed. Russia cannot allow itself to maintain a massive armed force (about 1.5 million people or more) because of demographic reasons. The total population and its demographic characteristics make it impossible to form such a big armed force either in current situation or, to a lesser extent, in the future. Reliance on technology and modern weaponry rather than sheer mass requires significant military expenditures, which push the limits of the Russian economy. Thus, the population is not large enough to provide a large, powerful army, and the economy is not sufficient for a powerful, high-tech equipped army.

Russia needs a larger population in order to achieve further economic growth. Economists believe that in today's world, any economic systems with worth 200 million or more people may

accomplish a momentous economic growth. The population of the USA is more than 320 million; the European Union is more than 500 million; Brazil has about 200 million people; China has 1.37 billion and India has 1.28 billion. The presence of such a population size does not guarantee an economic growth, but it constitutes a large, independent economic player in the modern world. It is necessary to have a population closer to 200 million people. Russia has rejected the prospects of opening itself up as part of the process of globalization obviously, but it aspires to become an independent economic player and needs a more economically active population.

Thus, for the further development of Russia, both a larger economy and a larger population are necessary factors.

Russia has successfully enlarged the scale of its economy owing to economic growth, as was noted above. However, further economic growth, both in the short and medium terms, is a question. Population growth is an even bigger question. Governmental efforts to stimulate the birth rate have halted the population decline, but the rate of its increase is minimal. Therefore, one could say that the rate of organic growth of the scale of the economy and of the population cannot be sufficient. Russia will have to rely not only on organic growth, but also on the growth resulted from M&A, namely, “merges and acquisitions,” in the business language.

#### RUSSIA MARKS THE BOUNDARIES OF ECONOMIC SPACE

In the strategic context described above, Russia must form an economic space with an economy as well as a population that is large enough for it, and therefore become a major economic and political player in the modern world.

Over the past decade, Russia tried to form a unified economic space, which is defined as “a space in which homogeneous mechanisms of economic regulations based on market principles and the application of harmonized legal norms are functioning, a unified infrastructure exists, and a coordinated tax, monetary, credit, financial, trade, and customs policy is carried out, which provides for the free movement of goods, services, capital, and labor.”

This shared economic space is conceived under the most advantageous conditions within the scope of Russia, Belarus, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, Armenia, Moldova, and Ukraine. On this basis, the CES would add more than half a trillion US dollars in 2012 prices (i.e., more than one-fourth of Russian GDP) to the Russian economy, and judging by purchasing power parity, even more — approximately one-third of Russian GDP. That would be a CES with a total population of 265 million living within its borders.

Ukraine would make the biggest contribution to these new dimensions of the CES with its population of 45.6 million and GDP of 176.3 billion dollars (in 2012 before the current crisis). However, the following countries in Central Asia could make significant contributions to the CES: Kazakhstan (203.5 billion-dollar GDP and a population of 16.8 million), Kyrgyzstan (6.4 billion-dollar GDP and a population of 5.5 million), Tajikistan (6.9 billion-dollar GDP and a population of 8 million), and Uzbekistan (51.1 billion-dollar GDP and a population of 29.8 million). Thus, the common contribution by the Central Asian countries to the CES could amount to a 267.9 billion-dollar GDP and a population of 60.1 million. In other words, it would add more than 13 percent of GDP to the Russian economy (approximately 20 percent if judged by purchasing power parity) and more than 40 percent to the population. However, in the near future, Uzbekistan clearly does not intend to participate in the CU or the CES. Without the contributions of Uzbekistan, the numbers become more modest, but are still significant: thanks to the other Central Asian countries, about 15 percent would be added to GDP (calculating in purchasing power parity) and more than 20 percent to the population.

The countries of Central Asia are not important for the formation of the CES only because of the absolute size of their economies and populations. Inevitably, economic development should include a significant element of reindustrialization. This is necessary in order to have non-energy areas of economic growth and provide for the needed jobs when a corresponding increase in the population is assumed. Reindustrialization requires a reduction in competition from Chinese industry.

This means that an important aspect of further economic growth is the strengthening of the economic border with China. Experience with the CU has shown that, in practice, this leads to increasing customs duties on the Chinese border. For now, raised customs fees are offset by the significant leaks in the customs border between Kazakhstan and China. The Chinese and Kazakh trade statistics differ greatly (and this cannot be explained only by differing calculation methods or other technical reasons such as “misplacement of goods”). There are also loopholes on the border between Kazakhstan and Kyrgyzstan.

Immediately after the CU began operation in 2011, one could observe the wildness of the Kazakh-Kyrgyz border when goods were re-loaded from one truck to another right at border crossings. To make the lives of people involved in small business easier, it was allowed to move up to 50 kilograms of cargo across the CU border for personal needs without any customs duties. Consequently, trucks from China arrived at the border of Kyrgyzstan pre-packed with sacks of goods weighing 50 kilograms. The trucks would stop at the Kyrgyz and Kazakh borders, and organized groups of locals would transport the bags across the border. On the Kazakh side of the border, the sacks were immediately loaded in a new truck. These wild duty-free reloading of cargo vans are no longer observed at the Kyrgyz-Kazakh border. The truth is that China’s export to Kyrgyzstan has grown throughout these years, but a corresponding increase in duty collection at the CU border has not realized. The question remains: Where did all the goods brought into Kyrgyzstan go? It is no secret that Kyrgyzstan has become a hub for transporting Chinese goods into Tajikistan and Uzbekistan. A significant proportion of these goods still go to Kazakhstan. That is to say, the goods cross the CU border. Evidently, there remain the loopholes for the Chinese goods without necessary documentation at the CU border.

Obviously, the CU border with China will be gradually strengthened, and the amount of contraband crossing will decline. This is only a matter of time. It is also clear that the relative efforts will include the expansion of the CU border with China due to the acceptance of Kyrgyzstan and Tajikistan to the CU.



Negotiations with Kyrgyzstan on joining the CU lasted whole year of 2013 and are currently at an advanced stage. Incidentally, during fall of 2013, Kyrgyz President Atambayev made a series of harsh statements about the CU and clearly expressed his disagreement with the conditions worked out for Kyrgyz accession to the CU. Tajikistan's entrance into the CU is a question of a much longer time. Essentially the problem is the same regarding the both cases of Kyrgyzstan and Tajikistan.

Since becoming independent, Kyrgyzstan and Tajikistan have spontaneously come to a model of economic survival and growth that require a very serious review before making a decision of joining the CU.

The main sectors of the official economy of Kyrgyzstan are the mining industry and hydroelectric power, and they provide the main revenue for the budget. They do not, nonetheless, provide a sufficient number of jobs. Some 47-48 percent of the population is employed in the agriculture sector. The major informal sector of the economy is trade and brokering. Kyrgyzstan quickly found its niche in regional trade. Liberal legislation, weak law enforcement practices, and high levels of corruption facilitated the growth of trade. Goods come from China and are further transported to Kazakhstan, Uzbekistan, and Tajikistan. According to expert estimates, the turnover of the two largest markets, Dordoy (Bishkek) and Kara-Suu (Osh), through which the majority of re-exported Chinese goods pass, exceeds the official GDP of the country. Thus, the re-export of Chinese goods provides for a secondary and shadow GDP. The volume of this business is comparable to the entire legal economy (GDP is 6.4 billion dollars) and transfers by migrant workers (about 4 billion dollars). The re-export of Chinese goods has become an integral element of the Kyrgyz economy. Therefore, the concept of a "transit future" is widespread in Kyrgyzstan. It is assumed that Kyrgyzstan locates at the crossroads of major trade routes, and it should consolidate its position as a regional transport and trade hub. When it is taken into consideration of that, in practice, the hub is oriented toward Chinese goods, then it bonds poorly with the basic ideas of the CU. As a result, during negotiations with Kyrgyzstan on accession to the

CU, a road map was worked out that suggests making a long list of 40 categories (contains more than one thousand individually named goods) that will receive preferential treatment in order to make the curtailment of re-exporting Chinese goods easier on Kyrgyzstan. Even with the provision of these preferences, the accession of Kyrgyzstan to the CU is not an easy decision for the local elite, which are made up of a number of groups. A paradigm shift in the mentality is needed. It is not so easy to realize that the country's future is not in the resale of Chinese goods, but in reindustrialization.

The accession of Tajikistan to the CU is not a prospect in the next few years. However, when it does get to that point, Tajikistan will also need to make a tough decision. It will mean a toughening of the customs regime on the Tajik-Chinese border (i.e., widely bought goods will become more expensive), but more importantly, it will require a serious enforcement of the regime on the southern border with Afghanistan. Incredible efforts have been made over the past 10 years in developing trade to the south. Five bridges have been built into Afghanistan across the Panj River, and border crossings for people and goods have been opened. Free economic zones are being created in those areas to stimulate trade. Trade is taking place not just with Afghanistan itself, but also with Pakistan via Afghanistan. Already, more than half of the cement on the Tajik market is delivered from Pakistan. Pakistan is a major provider of a few kinds of agricultural products (for example, potatoes). Slowly, the idea of "a turn to the south" and integration in the southern economic space have become popular in Tajikistan. Of course, instability in Afghanistan leaves a certain ambiguity in that area. Overall, among Tajik politicians, bureaucrats, and experts, the predominant view is that Afghanistan is, first of all, an opportunity, although they do admit the risks, too.

It is easier for Kazakhstan to make a decision in favor of the CU. In the middle of the 2000's, N. Nazarbayev already had oriented the political elite and the officials of the country on reindustrialization. In Kazakhstan there is a large base of metallurgic and mining industry. N. Nazarbayev sees the future of the country as a competitive, industrial country. A population of 16.8 million is too many for everyone to live off the revenues from natural resources,

but too few to work only on the domestic market. Kazakhstan and its reindustrialization programs need foreign markets, especially the nearby ones of Russia and Belarus.

In this way, the CU is a union of countries. They are oriented toward reindustrialization, and need an expanded market and common economic borders for increasing the size of their economies. For those who have, over the past 25 years, become used to the trade and brokering paradigm of development, joining the CU is a very difficult decision.

In this regard, Uzbekistan will certainly be interested in the CU. Uzbekistan is carrying out one of the most successful and ambitious reindustrialization programs in the post-Soviet era. The launch and first stages of this program are possible due to a domestic market consisting of a population of 30 million. However, the possibilities in the domestic market will, sooner or later, be exhausted. The importance of exporting industrial products grows with every year for Uzbekistan. The time will come in the foreseeable future when access to foreign, albeit nearby and relatively large, markets will be an unconditional priority for Uzbekistan.

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The formation of regional integration organizations lies in the worldwide tendency of regionalization to replace globalization. During the last 20 years, the idea of globalization was extremely popular. It was widespread particularly in Central Asia among wide segments of the population as well as the elite, and to this day it remains quite well liked. There were the illusions that the Central Asia countries could follow the path of the Asian Tigers, which were looked upon in the 1990s as

examples worthy of imitation. These countries, however, are located in the middle of the Eurasian continent. There are goods such as oil, gas, and gold that come from the depths of this continent to the global market and become part of worldwide trade. For a long list of other products than natural resources, the market for manufacturers is limited. Moreover it is a regional market, not a global one (access

to the global market is too expensive and too competitive) nor a nation-wide one (small in size in all those countries).

The collapse of globalization started to trend in 2008. There have been more and more protectionist measures and limitations on the movement of people, capital, and goods. The World Trade Organization (WTO) has been in crisis. At the same time, the process of regionalization have picked up steam with large regions being formed with active economic lives, intensive internal trade, and their own regional rules that immediately became more important than the global ones. The regions are beginning to compete among themselves.

The formation of the CU and the CES are part of that universal trend. For those who placed their main hopes on globalization and cooperation with players outside the regions, though, it is difficult to change their main thoughts. After so many years of placing hope in globalization, it is not easy to strengthen the economic borders of regional integration organizations.

Therefore, even representatives of Kazakhstan, a country that is extremely interested in the CU and the CES, are always talking about how integration should not be close up with the establishment of impenetrable borders. Kazakhstan is a supporter of the open model of integration.

The USA is also counting on the open model of integration in Central Asia. The dominant American view is that the basic problem in Central Asia is a lack of connectivity. Central Asian countries do not trade and cooperate with each other very much. Accordingly, it is necessary to lower barriers to trade and the movement of people. Ideally, those countries may completely remove any internal borders in the region with a full retention of national sovereignty. The region should also have transparent economic borders with China, Afghanistan, and Iran. It turns out that the region should not only be actively trading internally, but also involved in active trade with South Asia, China, and the Middle East countries. Obviously, such a transit & transport-based vision for the Central Asian region assumes that the region mainly exports natural resources and imports industrial goods, which leaves the question open about creating a sufficient number of jobs within the

region to support an acceptable level of employment for a growing local population.

Currently, the problem of employment is mainly being solved through mass labor migration to Russia, where the total number of migrant workers is about 4-5 million according to unofficial estimates (i.e., almost 10 percent of the entire population of Central Asia countries). For Kyrgyzstan and Tajikistan, labor migration to Russia is especially important. Evidently, Russia will tighten up access to its job market by migrants, fitting the market with additional conditions.

In that way, Russia is trying to form a new regional integration project through the CU and the CES with the strengthening of foreign economic borders. The process would stimulate reindustrialization, which means the CU and CES must be strong enough. This approach sharply contrasts with the American plans for Central Asia, which assume that the region should open its economy completely. The countries in the region are interested in the CU and the CES, but, at the same time, they want to solidify their foreign economic limits. The Eurasian Economic Union (EAEU), which will start to function in 2015, has the real foundation to become a powerful economic group. Globally, the EAEU has 20.7 percent of natural gas reserve, 14.6 percent of oil, 9 percent of electric power, and 9 percent of coal. It will become the largest integration organization in terms of area. No doubt, it will still lag significantly behind other big economic organizations in total GDP and the size of population.

#### DOES RUSSIA HAVE A STRATEGY IN CENTRAL ASIA?

For a long time, it was customary for professional and political circles in Central Asia to say that Russia had no strategy on its relations with the region. After the European Union adopted a strategy on Central Asia in 2007, that opinion was further boosted. They started to say, “Even the EU has a strategy regarding Central Asia, but Russia...” They finished that sentence in various ways, but the conclusion did not change: Russia does not have a long-term political and economic plan for the region.

In fact, as people already noted above, ideas on “the priority of countries in the post-Soviet ear” had a largely declarative nature in a long period. However, with the growth of the CES project (as seen in the CU and the EAEC) and its emergence at the stage of accepting new members, facts have demonstrated how the CU and the EAEC really are the Russia’s strategy for the post-Soviet ear, including its strategy in Central Asia. Accordingly, to a large extent, Russian relations with the Central Asian states will depend on whether they participate in the CU and the EAEC or not, and if not, whether they are prospective participants or not.

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To a large extent, Russian relations with the Central Asian states will depend on whether they participate in the CU and the EAEC or not.

Russia’s closest partner in Central Asia is Kazakhstan. They share a long border, and many extant economic and social ties made up an extensive system of bilateral relations. President N. Nazarbayev is the initiator of Eurasian integration, and that idea was finally realized in 2009 with the formation of the CU. Moreover, in the project Kazakhstan is playing a role of an absolutely self-sufficient partner who fully retains its sovereignty. At the same, it seems to many in Kazakhstan that N. Nazarbayev is headed toward an unnecessary rapprochement with Russia. Over the last few years there has been constant and, to varying degrees, well-founded criticism in domestic media and experts’ circle about the participation in the CU. Nevertheless, at a high political level relations between Russia and Kazakhstan have remained traditionally stable. Still, Kazakhstan is an adherent of a multi-vector policy and maintains a positive balance in its relationship with Russia, USA, China, and EU.

Over the last ten years, Kyrgyzstan underwent a few sharp domestic and geopolitical turns. President K. Bakiyev tried to play the USA off against Russia, but as a result he had to endure a political fiasco. The current president, A. Atambayev, retains elements of said multi-vector nature in his foreign policy, but has taken steps toward expanding cooperation with Russia. A

fundamentally important decision during his presidency was to join the CU. That will have long-term economic consequences for Kyrgyzstan.

Tajikistan has extensive ties with Russia in the military-political sphere, and that relationship was strengthened in the past few years. In the economic field, Russia is the largest investor in Tajikistan. It must also be taken into consideration of the fact that approximately half of able-bodied Tajik men work in Russia, and their remittance is a significant resource for maintaining public order in the Tajikistan. Because of complex relations with neighboring Uzbekistan, Tajikistan has found itself in a *de facto* transport blockade. One way out is to expand economic connections with China, Afghanistan, and Pakistan. Kyrgyzstan's accession to the CU creates a premise for negotiations on Tajikistan's participation of the CU. The prospects of Tajikistan's membership in the CU and the concrete conditions of such participation will, to a more and more degree, define the bilateral relations of Russia and Tajikistan in the coming years.

Uzbekistan is the most populous country in Central Asia and has immense potential for economic growth. Uzbekistan has kept its hope in industrial development, which will make foreign markets for export become more and more important in the future. The geographic location of the country makes access to world markets for industrial products difficult. This will influence Uzbek foreign policy increasingly, even in the near term. Uzbekistan has already tried to maximize its use of trade mechanisms in the CIS, but has distanced itself from the CU. To what extent it can do this in the future is still an open question. It is not inconceivable that if domestic policy crisis in Uzbekistan, which clearly took place throughout 2014, to continue, it would exert a growingly influence on Uzbek foreign policy, including its relations with Russia.

Turkmenistan is a classic example of a "dictatorial regime" based on natural resources. The harsh political regime and rich stores of hydrocarbons are widespread combination that can be seen in many countries. Attempts to develop a manufacturing industry have archived modest results only. In the middle of the 2000s, an intense but short battle for Turkmen gas resources unfolded. After the

fall of the USSR, Turkmenistan had infrastructure for gas delivery to Russia alone. The diversification of gas export routes has been Turkmenistan's main task throughout independence. S. Niyazov has reached limited success in this. During his tenure, one new export pipeline to Iran was opened in 1997, and it has a comparatively low capacity without full exploitation. From 2005 to 2010, Gazprom tried to preserve, if not its monopoly, its position as the largest buyer of Turkmen gas then by continually raising the purchase price. However, during the economic crisis of 2008–2009, Gazprom virtually lost its privileged position in Turkmenistan, and large-scale gas-delivery infrastructure modernization projects, which would connect Turkmenistan with Russia, were not carried out. At the same time, China and Iran were able to build new pipelines and are still increasing their purchase of Turkmen natural gas. The natural gas will remain a top subject of bilateral relations between Russia and Turkmenistan, but after the 2010 diversification of export routes out of Turkmenistan to the south and to the east, the scale and importance of the issue decreased. This issue could again take on greater importance if projects for the export of Turkmen natural gas to Europe really reach a stage of implementation. Without that, the attention paid to Turkmenistan by Gazprom as well as Russia will be minimal. Turkmenistan has no prospects for participation in the CU, and Russia has no much interest in it, either.

CONCLUSION:

RUSSIA WILL EITHER BECOME MUCH MORE POWERFUL  
OR MUCH WEAKER

Given the prospects, the Russian project of building a regional economic integration organization does not guarantee a success. To become a winning game, it needs consistent, long-term efforts by Russia. Here can be highlighted two circumstances that will present significant difficulties to the realization of the integration.

First, the foreign policy course of every Central Asian country may fluctuate because of domestic events and the international situation. In the next few years, the extent of these fluctuations has the potential of becoming relatively greater since the countries in the



region are going through an election cycle. Even after the elections, the domestic policy battles can be rather tense. This is especially true in Kazakhstan and Uzbekistan: both countries could see a change of presidents in the foreseeable future. How will those processes be carried out? What external players will participate, and to whom will they bank on? All of these are open questions. In any case, while a change of these governmental heads is unavoidable at some point, the relations with Russia could become more complicated. A new generation of politicians and bureaucrats could be inclined toward significant changes in the course of foreign policy.

Second, the Central Asia countries have very complicated bilateral relations among themselves. To carry out a regional project under these conditions is incredibly difficult. At the very least, the vociferously proclaimed 2007 pipeline system project Central Asia Center, which was proposed to modernize existing pipelines and construct new ones in Turkmenistan, Uzbekistan, and Kazakhstan, has never been realized. A main reason for that is the disagreement among those countries. The paradox is that some problems (hydropower, for example) can not only have a country-level solution, but need a regional one. A regional solution, however, means to overcome bilateral disagreements. In practice, accomplishing a regional solution turns out to be extremely hard.

No matter how difficult it is, Russia is unlikely to abandon its regional economic project. Russia has, once and for all, dismissed any attempt to integrate into the West, the imagined “golden billion,” mainly because reasonable deadlines and the rights of equitable partnerships did not work out. Instead, Russia gambled on becoming an independent economic and political player in the modern world. Of course, it is understood that in today’s world an absolute independence is not possible. At the same time, it is also understood that major countries, like the USA and China as well as self-sufficient regional organizations like EU and North American Free Trade Agreement (NAFTA), are able to carry out independent policy and support global competitiveness to a certain extent.

With its existing economic limitations, Russia is hardly able to freely solve the strategic dilemma of the discrepancy between the extent of its territory, its population, and the scale of its economy as

described above. Even with some clear success, organic growth is too slow. For further dynamic development, the scale of economy must be expanded and the population must increase as a result of the process of integration. The countries of Central Asia can make a significant contribution to that process.

The result of that process, if successful, will be a significantly strengthened Russia. This prospect currently evokes an ambiguous reaction of Western countries. The current generation of politicians in the West would like everything to remain just how it is right now. Russia is powerful enough to maintain internal order and attractive conditions for foreign investment, but not yet strong enough to become a major player on the world stage. Incidentally, little by little one must admit that the abovementioned strategic dilemma does not leave any chance for Russia to stay in its current position for a long time. Russia will become either much more powerful or considerably weaker. Many people do not see an option that is advantageous for them in this dichotomy. The old phobia will be triggered in some places, and there will be an impulsive reflex to make the choice of a weaker Russia. We can already see this through the events in Ukraine.