Central Asia and the Caucasus: A Vulnerable Crescent

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CONTENTS

Foreword

Terje Rød-Larsen
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The International Peace Academy (IPA) is pleased to introduce a new series of Working Papers within the program *Coping with Crisis, Conflict, and Change: The United Nations and Evolving Capacities for Managing Global Crises*, a four-year research and policy-facilitation program designed to generate fresh thinking about global crises and capacities for effective prevention and response.

In this series of Working Papers, IPA has asked leading experts to undertake a mapping exercise, presenting an assessment of critical challenges to human and international security. A first group of papers provides a horizontal perspective, examining the intersection of multiple challenges in specific regions of the world. A second group takes a vertical approach, providing in-depth analysis of global challenges relating to organized violence, poverty, population trends, public health, and climate change, among other topics. The Working Papers have three main objectives: to advance the understanding of these critical challenges and their interlinkages; to assess capacities to cope with these challenges and to draw scenarios for plausible future developments; and to offer a baseline for longer-term research and policy development.

Out of these initial Working Papers, a grave picture already emerges. The Papers make clear that common challenges take different forms in different regions of the world. At the same time, they show that complexity and interconnectedness will be a crucial attribute of crises in the foreseeable future.

First, new challenges are emerging, such as climate change and demographic trends. At least two billion additional inhabitants, and perhaps closer to three billion, will be added to the world over the next five decades, virtually all in the less developed regions, especially among the poorest countries in Africa and Asia. As a result of climate change, the magnitude and frequency of floods may increase in many regions; floods in coastal Bangladesh and India, for example, are expected to affect several million people. The demand for natural resources – notably water – will increase as a result of population growth and economic development; but some areas may have diminished access to clean water.

Second, some challenges are evolving in more dangerous global configurations such as transnational organized crime and terrorism. Illicit and violent organizations are gaining increasing control over territory, markets, and populations around the world. Non-state armed groups complicate peacemaking efforts due to their continued access to global commodity and arms markets. Many countries, even if they are not directly affected, can suffer from the economic impact of a major terrorist attack. States with ineffective and corrupted institutions may prove to be weak links in global arrangements to deal with threats ranging from the avian flu to transnational terrorism.

Finally, as these complex challenges emerge and evolve, 'old' problems still persist. While the number of violent conflicts waged around the world has recently declined, inequality – particularly between groups within the same country – is on the rise. When this intergroup inequality aligns with religious, ethnic, racial and language divides, the prospect of tension rises. Meanwhile, at the state level, the number of actual and aspirant nuclear-armed countries is growing, as is their ability to acquire weapons through illicit global trade.

As the international institutions created in the aftermath of World War II enter their seventh decade, their capacity to cope with this complex, rapidly evolving and interconnected security landscape is being sharply tested. The United Nations has made important progress in some of its core functions – 'keeping the peace,' providing humanitarian relief, and helping advance human development and security. However, there are

reasons to question whether the broad UN crisis management system for prevention and response is up to the test.

Not only the UN, but also regional and state mechanisms are challenged by this complex landscape and the nature and scale of crises. In the Middle East, for example, interlinked conflicts are complicated by demographic and socioeconomic trends and regional institutions capable of coping with crisis are lacking. In both Latin America and Africa, 'old' problems of domestic insecurity arising from weak institutions and incomplete democratization intersect with 'new' transnational challenges such as organized crime. Overall, there is reason for concern about net global capacities to cope with these challenges, generating a growing sense of global crisis.

Reading these Working Papers, the first step in a four-year research program, one is left with a sense of urgency about the need for action and change: action where policies and mechanisms have already been identified; change where institutions are deemed inadequate and require innovation. The diversity of challenges suggests that solutions cannot rest in one actor or mechanism alone. For example, greater multilateral engagement can produce a regulatory framework to combat small arms proliferation and misuse, while private actors, including both industry and local communities, will need to play indispensable roles in forging global solutions to public health provision and food security. At the same time, the complexity and intertwined nature of the challenges require solutions at multiple levels. For example, governments will need to confront the realities that demographic change will impose on them in coming years, while international organizations such as the UN have a key role to play in technical assistance and norm-setting in areas as diverse as education, urban planning and environmental control.

That the world is changing is hardly news. What is new is a faster rate of change than ever before and an unprecedented interconnectedness between different domains of human activity – and the crises they can precipitate. This series of Working Papers aims to contribute to understanding these complexities and the responses that are needed from institutions and decision-makers to cope with these crises, challenges and change.

Terje Rød-Larsen

Introduction: A Zone of Weakness

The Caucasus and Central Asia – eight countries of the former Soviet Union stretching to the south of Russia and to the west of China – form a chain of weak states, vulnerable to conflict, extremism, and spillover from potential instability in the Middle East, Iran and Afghanistan. Once on the path of the Silk Road, these countries are still transit routes in the world economy rather than major economic players. The overarching problem for the Caucasus countries situated on the eastern fringe of Europe – Armenia, Azerbaijan, and Georgia, as well as the Russian North Caucasus – is unresolved conflicts that hamper development and poison politics. The Caucasus has become a field for latter-day Great Power battles of influence, in which competing policy agendas, sometimes even from within the same state, make for a fragmented international response that hampers regional integration and development. The autocratic states of Central Asia by contrast risk isolating themselves from the wider world, becoming a source of danger because of their deliberate remoteness. Here the globalized threats of drug trafficking and militant Islam are the biggest potential source of instability. Multilateral organizations such as the UN are still struggling to articulate a coherent response to the two regions as a whole, tending to make more narrow interventions that have limited impact.

In both regions, continued weak statehood means that states struggle to provide public services for citizens, many of whom turn to the shadow economy, crime or migration in order to survive. Politics is organized around informal networks, with elites focusing their attention primarily on issues of self-preservation and succession.

In the South Caucasus patronage-based elites sustain themselves through manipulated elections. None of the governing elites in the three states has since 1991 voluntarily ceded power in a contested election. Yet membership of the Council of Europe and closer ties with the EU force the governing regimes to tolerate opposition parties and to give them a role in parliaments. This reduces the risk of violent political upheaval, while migration and apathy reduce the bargaining power of opposition movements. Analogous political change is yet to occur in Central Asia, where many state institutions still operate according to long-embedded Soviet practices. These states are poorly equipped to deal with external pressures and region-wide challenges, such as drug trafficking, *jihadi* Islamism or natural disasters.

The political choices taken by Russia will have a major bearing on the future of these states. But as the regions detach themselves further from the Soviet past, their political trajectories are diverging, with the South Caucasus (with the partial exception of Azerbaijan) aspiring towards European structures and Central Asia seeking Russia's patronage and security assistance.

The South Caucasus: An Uncertain Trajectory

Fifteen years after Armenia, Azerbaijan and Georgia achieved independence, power is still concentrated in the hands of a few. There are strong regional disparities within all three countries, with the capitals having the lion's share of population, power, and resources. Minorities – such as Armenians and Azerbaijanis in Georgia or Lezgins, Kurds, and Talysh in Azerbaijan – are poorly represented in public life and suffer from lack of educational opportunities and infrastructure. They therefore remain a malleable and discontented force within society.

Succession Issues

Power-sharing and succession issues are the main faultlines which threaten political stability. Georgia remains heavily decentralized and some provincial leaders and parliament members form a counter-weight to presidential power. Its young elite (President Mikhail Saakashvili will turn 40 in December 2007), both pro-Western and nationalist in outlook, looks set to dominate Georgia for the next decade. In Azerbaijan a not-much-older governing class has coalesced around President Ilham Aliev and will use oil wealth to sustain itself during the same period. Although it can buy off most dissent, it faces challenges from intra-elite rivalries and new sources of opposition will emerge, fuelled by social disparities caused by the oil wealth, continued manipulation of the nationalist passions of the Karabakh dispute, and the rise of political Islam. In Armenia, the current "Karabakh elite" of President Robert Kocharian (due to step down in 2008) and Defense Minister Serzh Sarkisian looks more vulnerable, as its popular support base is low and socioeconomic discontent remains high. But an effective popular opposition has been slow to emerge and a managed succession to Sarkisian still seems a likely scenario, with another possibility being the emergence of a new leader, such as Artur Baghdasarian, following the splintering of the current

governing regime.

Socioeconomic Problems

The socioeconomic situation in the South Caucasus is, by any standard, disastrous. In 2006, fifteen years after the end of the Soviet Union, GDP per capita, infant mortality, and poverty rates were approximately three times worse than the corresponding indicators in the Baltic States, until recently Soviet neighbors. The latest UNDP Human Development Reports reflect a decline from Soviet-era levels of social welfare, literacy, and healthcare. They place Armenia in eighty-third place, Georgia in 100th, and Azerbaijan in 101st place.

The trend is set to continue, although Azerbaijan will be boosted by the wealth from the Baku-Tbilisi-Ceyhan (BTC) pipeline (discussed further below). Unresolved conflicts have cemented a situation of extreme parochialism in the form of patrimonial clan-based politics, economic monopolies, and cartels that undermine free trade and competition. Minorities, such as the Armenians of Javakheti in Georgia, are socioeconomically deprived and feel little stake in society as a whole.

Migration, chiefly to Russia, is a serious problem. Up to a quarter of the 15 million people of the South Caucasus (around three to four million people) has migrated in search of work, with Armenia (the smallest country) suffering the worst outflow. In 2004, UNDP estimated that around $900 million per year or 30 percent of Armenia's GDP came from remittances. The rural economy is devastated by migration, birth-rates are low and the region will continue to lag behind its neighbors.[1]

Organized crime also undermines statehood, with crime lords having seats in parliament or significant local power; promising attempts to crack down on the problem in Georgia have run into trouble. The South Caucasus is on the "Southern" drug route from Central Asia and smuggling is easy through its corrupt border areas. The crime problem however should not be exaggerated. Many citizens do not pay taxes and do pay bribes, but this is very much within family- and region-based traditions of loyalty. Crime levels, which have fallen sharply since the early 1990s, are unlikely to rise substantially again.

Proliferation of small arms and light weapons (SALW) is also a containable problem. According to a Russian expert, around 260,000 units of SALW and more than 17,000 wagons of ammunition were left behind in the region after the disintegration of the Soviet Union.[2] With the disbanding of non-state political armed militias in the 1990s, most guns are kept mainly for deterrent purposes and tend not to be deployed for daily political ends.

Public health issues are more serious. Government health spending, at around $10 per capita, has been characterized as being "as low as in many sub-Saharan countries in Africa," leaving many locals in a "medical poverty trap." Facilities are poor, buildings are in disrepair, and salaries of health professionals are extremely low. This will broadly continue to undermine public health and sap the economy. One expert argues that much international aid in the health sector has been misdirected, with too many funds being spent on "reform" of the health service and trying to reduce the role of the state, when basic services are often lacking.[3]

Sexual health problems are likely to be an escalating problem. HIV infection is estimated to be currently twenty times lower than in Russia and Ukraine, but this is almost certainly a false figure, reflecting conservative social attitudes, and lack of government action and public awareness. Migration to and from Russia by young men will help spread the infection. A steep rise in numbers can confidently be predicted in the next decade.

Unresolved Conflicts

The three unresolved conflicts of the South Caucasus remain by far its gravest and overarching problem. They are the Armenian-Azerbaijani conflict over Nagorny Karabakh; the conflict in Abkhazia between Tbilisi and the separatist Abkhaz; and the conflict in South Ossetia between Tbilisi and separatist Ossetians. All three share common features, each with a Soviet-era autonomous region having de facto broken away from its Soviet-era metropolitan republic (Georgia and Azerbaijan), leading to bloody conflict. None of the three breakaway territories are recognized states and all live a twilight existence. The status issue is at the heart of all three cases: as time passes, the chances dwindle of the breakaway territories accepting a status that "returns" them to Azerbaijan or Georgia, from

[1] On migration, see Alexander Iskandarian ed., *Kavkaz – Rossia: Migratsia Legal'naya i Nelegal'naya [Caucasus-Russia: Legal and Illegal Migration]* (Yerevan: Caucasus Media Institute, 2004).
[2] Anna Matveeva and Duncan Hiscock, eds., *The Caucasus: Armed and Divided: Small Arms and Light Weapons Proliferation and Humanitarian Consequences in the Caucasus* (London: Saferworld, 2003).
[3] Tido von Schoen-Angerer, *Understanding Health Care in the South Caucasus: Examples from Armenia* (Geneva: Medecins sans Frontiéres, 2004).

which they are ever more estranged. At the same time in Azerbaijan and Georgia, the issue of the unresolved conflicts still dominates the political agenda and many political forces put unrealistic expectations on the elites to restore territorial integrity without making serious concessions.

Nagorny Karabakh

Nagorny Karabakh is the most serious of the three disputes. The first ethno-territorial dispute to shake the Soviet Union, it stems from an unresolved, extremely difficult sovereignty and security conundrum, and the clashing world-views of Armenians and Azerbaijanis towards one other, playing out in the mountainous territory they both claim—Nagorny Karabakh. Because of the conflict, a 200-kilometer-long ceasefire line cuts through the South Caucasus; Armenia and Azerbaijan have no relations; Turkey's border with Armenia is closed; two railways are also closed; and the new pipelines starting from the Caspian Sea bypass Armenia.[4] Although internationally recognized as part of Azerbaijan, Nagorny Karabakh itself has declared independence (recognized by no one, not even Armenia) but is now de facto a province of Armenia, with its residents holding Armenian passports, using Armenian money and sharing military service with the Armenian army.

For Azerbaijan the loss of Karabakh and in particular the town of Shusha is a continuing blow to national pride and the sense of statehood. Paradoxically, the younger generation, nurtured on post-war propaganda, feels this most strongly. This is compounded by the occupation of part or all of the seven Azerbaijani regions surrounding Karabakh by Armenian forces. The Armenians say they are held as a "buffer zone," but they have been completely destroyed. Around 40-50,000 Azerbaijani internally displaced persons (IDPs) come from Karabakh itself and around 500,000 from the seven occupied regions. (Around 200,000 Azerbaijani refugees fled Armenia and around 350,000 Armenians fled Azerbaijan in 1988-1990. 20,000 Armenians were displaced from Shaumian region in 1992.)[5]

The occupation of these seven regions, comprising around 8 percent of the internationally recognized territory of Azerbaijan, aggravates the continuing cost of non-resolution and feeds into revanchist sentiments in Azerbaijan and calls to go back to war.

The issue of the final status of Karabakh has been the central stumbling-block in all peace negotiations since the 1994 ceasefire. Both societies still see the dispute in zero-sum terms and are unprepared for compromise. The Karabakh Armenians, though key to the resolution of the issue, are not even allowed to the negotiating table by Baku. The likelihood of renewed conflict, fuelled by Azerbaijan's new oil wealth, is higher than that of peace. As a new conflict would threaten to involve Russia and Turkey and disrupt the pipelines, it is the gravest threat to the future of the region.

In a conflict where rhetoric plays a major role and perceptions are confused with realities, not enough is known about the actual views of the people or about the degree to which the younger generation in Azerbaijan is indeed ready to go back to war. This is an area where research is badly needed.

Abkhazia and South Ossetia

Abkhazia and South Ossetia, Georgia's two breakaway territories, are increasingly de facto parts of Russia. Under the Putin presidency, Moscow has provided them with Russian passports, Russian pensions and (in the case of South Ossetia) even Russian government officials. The ceasefire lines are more porous, with ethnic Georgians living inside both unrecognized territories in the Gali region of Abkhazia and in a group of villages in South Ossetia. The number of IDPs is smaller than in Karabakh, with an estimated 250,000 inside Georgia. There is much greater contact between civil society and a more developed peace process in both disputes – yet, as in Karabakh, in both cases the issue of status appears almost irresolvable.

As with Karabakh, both the Abkhaz and the Ossetians reject any prospect of a "return" to Georgia, to which they feel no affinity. A young generation is growing up focused on Russia rather than Georgia and ignorant of the Georgian language. Access to Russia and the Russian economy – although sparking concerns among the professional classes in Abkhazia about absorption by Russia – has solved the problem of isolation for the two territories.

Of the two territories, Abkhazia is much more advanced in terms of its de facto autonomy, institutions, media, and civil society. Abkhazia was partly successful in defying attempts by Moscow to impose

[4] For the economic cost to Armenia of the non-resolution of the Karabakh dispute see Richard Beilock, "What is Wrong with Armenia," *Caucasian Regional Studies* 4, no. 1, 1999.

[5] For statistics of the Nagorny Karabakh war, see Thomas de Waal, *Black Garden: Armenia and Azerbaijan Through Peace and War* (New York: New York University Press, 2003). Appendix 1.

its own candidate as president in 2004. (After prolonged wrangling, the Moscow-backed candidate Raul Khajimba eventually became vice-president.)[6] This makes Abkhazia's bargaining position stronger in future talks with Tbilisi. Georgia, under Saakashvili is more self-assertive. He has promised to "restore Georgia's territorial integrity" by the end of his first term and wants to use potential NATO membership as a way of putting pressure on the two separatist territories. NATO membership without resolution of the conflicts will in fact polarize the two sides into pro-Western and pro-Russian camps and would be likely to trigger even more overt Russian interference in Abkhazia and South Ossetia.[7] Abkhazia has relatively well-equipped armed forces and a demilitarized zone monitored by 1,700 Russian peacekeeping troops and 120 UN observers, which reduce the risk of renewed conflict. South Ossetia, being smaller, more ethnically mixed, without a wide buffer zone separating the two sides and with an unsatisfactory tripartite peacekeeping structure[8] is more vulnerable to an attempted armed intervention from the Georgian side or to an interethnic dispute escalating into wider violence.

The issue of international policy towards Abkhazia and South Ossetia in particular, and Karabakh to a lesser extent, has caused a divide in the expert community. A mostly European-based view (including ourselves, Dov Lynch, Oksana Antonenko, Sabine Freizer, as well as Washington-based scholar Charles King) argues that the conflicts can only be solved if there is engagement with the separatist territories, offering incentives to "bring them in from the cold." A series of US-based experts (Vladimir Socor, Fred Starr, Svante Cornell, Zeyno Baran) argue that Russia is a malign influence, that Azerbaijan and Georgia should be welcomed into NATO and that the separatist territories should be isolated and forced to accept the territorial integrity of their former metropolitan states.[9]

BTC Pipeline

The Baku-Tbilisi-Ceyhan (BTC) pipeline, which opened in July 2006, will transform the South Caucasus over the next 20 years. Combined with the South Caucasus gas pipeline, due to come online in 2007, it links Azerbaijan and Georgia to the West, frees them from gas dependency on Russia and will make Azerbaijan phenomenally wealthy. BTC is a highly political project. In the words of energy expert John Roberts, "[t]he Caspian is important not because it is one of the world's major producing areas, but because it is likely to become one of the biggest producing areas in the world in which actual oil production remains essentially in the hands of market-oriented international energy companies."[10] However, by bypassing Armenia, BTC also deepens regional divisions in the Caucasus. Other projects, such as plans for a Kars-Akhalkalaki-Baku railway line are repeating the pattern.

According to the latest estimates, Azerbaijan's GDP will double over the next decade and if oil prices remain high (at around $60 per barrel), Azerbaijan will receive $140 billion in revenues from the export of its energy resources over the next twenty years. BTC will give Azerbaijan much greater international clout, decrease its dependence on foreign aid and advice, and toughen its position on negotiations over Nagorny Karabakh. Azerbaijan is increasing its defense budget each year by around a quarter. The new wealth however carries dangers for Azerbaijan with the prospect of "Dutch disease" making other parts of the economy uncompetitive, raising unemployment and increasing social divides – thereby making Azerbaijan less, not more stable.[11]

Islamic Factors and Iran

Azerbaijan has been identified by the United States as a key ally, not only because of its energy resources but because it is perhaps the friendliest Muslim state in the

6 For a summary of the situation in Abkhazia, see International Crisis Group, "Abkhazia Today," Europe Report No. 176, September 15, 2006.
7 Georgia moved closer to a Membership Action Plan with NATO at the NATO summit in Riga in November 2006, as part of its stated aspiration for eventual membership. President George W. Bush explicitly backed Georgian membership in a speech in Riga.
8 In 1992 a Joint Peacekeeping Force was set up consisting of Georgians, Russians and North Ossetians (as South Ossetia's government was unrecognized it is represented by its ethnic neighbor, North Ossetia, although South Ossetians serve in the force). It is under Russian command – something the Georgian government now finds unacceptable as it perceives Russia as a biased party. The Georgians are pressing, unsuccessfully, for the force to be internationalized.
9 For recent discussions on the implications of the Kosovo status talks for this issue, see the debate between Thomas de Waal and Zeyno Baran on Open Democracy www.opendemocracy.net/democracy-caucasus/abkhazia_serbia_3787.jsp; and Charles King, "Bring the Phantom Republics in from the Cold," *International Herald Tribune*, September 14, 2006.
10 John Roberts, "Energy Reserves, Pipeline Politics and Security Implications," in Dov Lynch, ed. "The South Caucasus: a Challenge for the EU," *Chaillot* Paper no. 65, Paris, 2003.
11 See Svetlana Tsalik, ed., *Caspian Oil Windfalls: Who will Benefit?* (New York: OSI, 2003). and Nurlana Gulieva, "Azerbaijan Debates Dutch Disease," *Caucasus Reporting Service* no. 350, IWPR, July 27, 2006, available at www.iwpr.net/?p=crs&s=f&o=322568&apc_state=henpcrs.

greater Middle East. Azerbaijan's minorities are especially receptive to more militant forms of Islam, asserting a distinct identity in this fashion rather than through nationalism. The 200,000 mostly Sunni Lezgin community in northern Azerbaijan have strong links with their 400,000-strong ethnic kin in Dagestan, the most Islamist part of the Russian North Caucasus. In the south the Shi'ite Talysh have close ties to Iran. The rise of political Islam, currently modest in Azerbaijan, is tied to social discontent and regional disaffection with the center and may be exacerbated by unequal division of oil wealth. More sociological research is needed on this phenomenon.[12]

Iran is the least engaged of the three big neighbors of the South Caucasus. It has good relations with Armenia and an uneasy relationship with Azerbaijan. Azeris are estimated to comprise up to a quarter of the population in Iran and the two countries are at odds over the issue of the rights of the Azeri minority, as well as over oil-drilling rights in the Caspian Sea. However, the two countries have also signed a non-aggression pact, and Azerbaijan is reluctant to get involved in any potential military campaign against Iran.[13] A big crisis in Iran has the potential to destabilize the South Caucasus, with the prospect of Azeri refugees coming to the region and even the targeting of US facilities in Azerbaijan.

The North Caucasus

The Russian North Caucasus provides additional reason for alarm, being the region of Russia with the fastest growing population and likely the greatest political instability over the next two decades.

Krasnodar region (Krasnodarsky Krai) along the western coast of the Black Sea is a distinct area, with a predominantly Russian population and a growing economy. It already has a large Armenian migrant population and is likely to be a continuing magnet for economic migrants from the South Caucasus. The seven North Caucasian autonomous republics (from west to east Adygeia, Karachai-Cherkessia, Kabardino-Balkaria, North Ossetia, Ingushetia, Chechnya, and Dagestan) pose a different proposition. The conflict in Chechnya is ebbing due to war-weariness and the policy of 'Chechenisation,' which accommodates different interests in Chechnya. However Chechnya's social fabric is still devastated and political violence could easily re-erupt there. There is also growing instability in the rest of the region, with violence and militant Islam rising in Ingushetia and Kabardino-Balkaria. Ingushetia has the lowest average age of any region of the Russian Federation – 27 years – and also a dormant conflict with North Ossetia. The demographic trends mean an increasing proportion of military-age men, many of whom will be Muslim, with the possibility of interethnic clashes, such as the one in the north Russian city of Kondopoga in 2006, increasing throughout Russia as a whole.

The physical barrier of the Caucasus range – the highest mountains in Europe – makes the North and South Caucasus much more distinct regions than they seem at first glance. The mountains are only passable in summer and the Russian blockade of Georgia at the end of 2006 reinforced isolation. Even the major fighting of 1999-2000 in Chechnya saw only a few thousand desperate Chechens cross into Georgia. Weapons trafficking from Georgia – probably exaggerated by the Russians anyway for their own political purposes – is not a significant problem any more. South Ossetia remains a smuggling route, but contraband flows are now better monitored by the Georgian government.

Increased violence in the western parts of the North Caucasus is therefore unlikely to have a noticeable impact outside the immediate region – although it could conceivably make Abkhazia and South Ossetia more isolated from Moscow and therefore more flexible in their negotiations with Tbilisi. The main impact will be from Dagestan, where strong Islamist trends could start to influence Sunnis in northern Azerbaijan.

External Actors in the Caucasus

The South Caucasus is not a coherent region in the way that the Baltic States or even the Balkans are, and it has no cross-regional institutions. The fragility of state institutions and the divisions resulting from conflict magnify the role of informal actors, powerful neighbors and international institutions in the region. A host of international organizations are active in the region, but Moscow and Washington are the two poles between which security interests fluctuate – an unstable situation that is set to continue.

[12] A special edition of the III Era magazine published in Baku in June 2005 quotes an opinion poll that suggests religiosity is growing in Azerbaijan, with 87% of respondents saying they are "believers" and 23% backing *shari'a* law for their country.

[13] See transcript of remarks by Azerbaijani president Ilham Aliev in Washington, April 26, 2006 on www.cfr.org/publication/10547/conversation_with_ilham_aliyev_rush_transcript_federal_news_service_inc.html.

Russia

Russia remains the most powerful player in the region, a far more vigorous day-to-day actor than either Turkey or Iran, using visa policy, gas pipelines, and the threat of trade embargoes as weapons. Russian relations with Georgia are extremely poor and will remain so for the foreseeable future, as long as Moscow openly supports Abkhazia and South Ossetia. In contrast to the Nagorny Karabakh situation, where Moscow has moved beyond attempts to manipulate the dispute, it has far greater leverage and a monopoly on the peacekeeping mandate in both Abkhazia and South Ossetia. It has a vested interest in keeping these two conflicts unresolved, as it can use them to maintain leverage over Georgia and keep control over two shadowy client territories.

Further Russian-Georgian economic disputes, trade wars, and diplomatic quarrels are virtually inevitable, with negative consequences for Georgian migrant workers, the Georgian economy and the stability of the region as a whole. Russian companies have also bought up large sectors of the Armenian economy, including the electricity network and Russia maintains a military base in Gyumri, Armenia (due to close in 2020), but relations with Armenia are cooling, as Armenia deepens its relationships with Europe and builds a gas pipeline with Iran. Relations with Azerbaijan fluctuate and are currently improved under President Ilham Aliev. All three countries have large migrant populations in Russia, who send home remittances, but also suffer xenophobia and prejudice.

United States

President George W. Bush's visit to Georgia in 2005 was symptomatic of an increased American interest in the South Caucasus – although one whose importance and durability locals over-estimate. Washington is the biggest bilateral spender in the region. The US Millennium Challenge initiative is due to begin huge five-year grant programs worth $295 million for Georgia and $236 million for Armenia, more than matching current USAID spending on these two countries. Azerbaijan receives a different kind of investment via oil companies such as BP-Amoco and Exxon.

However, American policy is not clearly articulated in the region being driven by a number of competing interests: the view that Azerbaijan and Georgia are key allies in "the war on terror"; the value of the BTC pipeline as a non-Middle Eastern source of "energy security"; and ideological support for Georgia as a perceived democratic ally standing up to Russia. In addition the US Congress has a strong Armenian lobby, which helps ensure high levels of USAID spending on Armenia and Nagorny Karabakh. As a result, engagement is strong but poorly coordinated. The United States will defend Georgia's interests in the event of a crisis with Russia, but in the words of one US ambassador to Tbilisi "we won't be sending in the US cavalry."

The European Union and the Council of Europe

The European Union (EU) is displaying greater interest in the region since it began enlargement into Eastern Europe. It has a large aid budget – it provided $1 billion dollars in aid between 1992 and 2003 – which is still however smaller than the aid provided by the United States, and the EU is not as well represented. The European Commission is now also tentatively investing in Abkhazia, with a €4 million project implemented by the UN-mandated peacekeeping force and the United Nations Development Programme to work in the eastern Abkhaz districts of Gali, Ochamchira and Tkvarcheli, as well as the western Georgian region of Zugdidi.

Despite the slow expansion of the EU to the Black Sea and in the former Soviet Union, predictions of greater European engagement in the region are premature: the European Neighborhood Policy, to which the three South Caucasian countries belong, offers no prospect of membership for the three states. Instead it promises closer relations and engagement in return for the fulfillment of action plans. However none of the South Caucasus three have even joined the queue for EU membership occupied by Croatia, Turkey, and others; and Azerbaijan in particular is likely to decide that the carrot of the ENP is too small to be worth swallowing whole.

The European Union's Special Representative position for the South Caucasus has a limited mandate and a small budget and can play only a contributory role.[14] Bilateral relationships between EU states and the three countries are far more defined and substantial, with Britain, France, and Germany having special roles in the Abkhazia dispute through the UN "Friends of the Secretary General" mechanism.

Membership of the Council of Europe, an institution which means little to most Europeans, has had a

[14] The mandate of the new EU Special Representative for the South Caucasus, Peter Semneby, appointed in 2006, has been subtly changed, requiring him to "contribute to the resolution of conflicts" rather than his predecessor who was asked to "assist the resolution of the conflicts".

significant effect, compelling the three countries to abolish the death penalty, improve electoral codes and the protection of minorities, and hold more transparent elections. Within the next decade a crisis which tests the Council of Europe's willingness to suspend one of the three countries is highly likely, whether it be elections in Azerbaijan, conflict in South Ossetia or Abkhazia, or Georgia's unwillingness to implement its Council of Europe commitment to allow the return of Meskhetian Turks deported by Stalin.

The UN and the OSCE

The two main multilateral organizations in the region are the UN (which takes a lead in conflict resolution in Abkhazia) and the Organization for Security and Cooperation in Europe (OSCE) (which works on South Ossetia and Nagorny Karabakh). In the case of both organizations their active role on the ground is modest and strongly contrasted with the role they play in the Balkans.

The OSCE is undergoing an overall crisis of identity as it pulls out of the Balkans and concentrates on the former Soviet Union. Russia is unhappy at the prospect of it playing an enhanced role monitoring the conflicts and democratic record of the former Soviet states, which may limit its capacity to increase its profile in the Caucasus. The UN is coping with a transition from humanitarian post-conflict relief efforts to a more developmental role, centered around the work of UNDP. UNHCR now has a much-diminished role in dealing with the IDPs from Abkhazia and the Karabakh conflict.

The OSCE mediation mission in the Karabakh conflict via the three-nation co-chairmanship of the Minsk Group (France, Russia, US) has just one roving ambassador on the ground, assisted by five international staff, monitoring the ceasefire.[15] In South Ossetia the OSCE is a member of the four-party Joint Control Committee, but provides no peacekeeping forces or monitors. In the Georgian-Abkhaz dispute UNOMIG has the largest operation: it has around 130 unarmed observers, supporting the 1,700 Russian peacekeepers as part of CIS force and has a 2006-7 budget of $34 million.[16] All this is a fraction of the commitment that international peacekeepers have in the Balkans (for example, currently the EU has 6,000 troops in Bosnia and 17,000 troops in Kosovo.)[17]

All the international mediation missions in the South Caucasus date back to 1992-4 and were framed by Russia. In the case of Abkhazia and South Ossetia, Tbilisi desperately wants to renegotiate them as it sees the Russian peacekeeping presence as a cover for annexation by Moscow. The Georgian parliament periodically votes to demand the withdrawal of Russian peacekeepers, however they will remain so long as the international community fails to come up with a viable alternative – and persuade Moscow to accept it.

Three Scenarios

Worst Case

There are many dangers. Increased oil wealth in Azerbaijan could lead a "party of war" to renewed military action over Nagorny Karabakh, triggering a response from Armenian forces, armed by Russia, and a disastrous war. A further deterioration in Georgian-Russian relations could cause war in Abkhazia or South Ossetia (or civil strife could break out in South Ossetia), with open Russian intervention in those territories. It is virtually impossible to see how renewed conflict would result in a clear victory "solving" any of the problems of the region instead of exacerbating them.

Azerbaijan is most vulnerable to political instability. A confrontation between Iran and the United States could bring an influx of refugees into Azerbaijan and Armenia and attacks on Western oil installations in Azerbaijan. A Central-Asian-style authoritarian regime could take power in Azerbaijan in response to a threat of "Islamic terrorism" or calls for conflict with Armenia. All of these scenarios would set back the region by a generation, fragmenting it further, causing new destruction and distrust and derailing progress towards democratization.

Middle Case

A situation of "no war, no peace" persists and the region continues to live in a state of socioeconomic stagnation and division, with high rates of migration and a weak under-financed public sphere. Azerbaijani oil wealth is mostly squandered by a corrupt elite, with sufficient spending on the general population to allay most social discontent. Georgia and Armenia muddle along without significant economic develop-

15 See www.osce.org/item/13668.html.
16 See www.unomig.org.
17 Center on International Cooperation, *Annual Review of Global Peace Operations 2006* (Boulder, CO: Lynne Rienner, 2006).

ment and high levels of emigration and with semi-democratic governing regimes. International intervention remains at the same level as now, acting as a brake on a worsening of the situation but without contributing to a transformation of the region.

Best Case

Courageous leadership inside the region, allied to strong international commitment, leads to peace settlements in the three unresolved conflicts. International peacekeepers are sent to the Nagorny Karabakh conflict zone to allow the reconstruction of the seven Azerbaijani territories currently under Armenian occupation. Borders are opened, leading to genuine free trade and economic growth. Russia becomes an engine of economic growth and investment in the region, while the European Neighborhood Policy is strengthened to give the South Caucasus countries access to EU privileges and markets.

Recommendations

Taking into account the changed realities on the ground, it is necessary to rethink the approach of the international community and multilateral agencies to the unresolved conflicts in the region.

The need for a resolution to the Armenian-Azerbaijani Nagorny Karabakh dispute needs to be put at the center of international policy in the Caucasus. The local elites and too many international players have become more or less comfortable with the status quo, failing to recognize that if the conflict reignites it will cause devastation and set back the region for a generation. There is a worrying assumption that conflict resolution should be the preserve only of the Minsk Group, but this is short-sighted: other international actors need to engage with the issue to give it more traction. It would be disruptive to break up the Minsk Group format – and the Armenians would oppose a transfer of authority to the UN, suspicious of Azerbaijani attempts to use UN resolutions on the conflict as a new framing device for its resolution; however, a UN representative coordinating with the Minsk Group co-chairs as well other international agencies would be able to help generate a wider international response and put more pressure on the parties to change their positions.

A review of the mandates of the international organizations working on the conflicts is needed so as to "internationalize" the breakaway territories, recognizing that regardless of their future status they exist as de facto states and are in need of development and institution-building now. This would serve as "good PR" in three territories that are currently extremely isolated and suspicious of the international community beyond Russia – and prepare them for life as part of the wider world. This could involve the kind of developmental and political work the UN and OSCE currently carries out in Kosovo. This especially applies to UNOMIG in Abkhazia, which should consider seeking an enhanced mandate to undertake a greater developmental or policing role – the latter supplementing the CIS (de facto Russian) peacekeeping force, which will not leave.

So as to be even-handed, assistance towards the Azerbaijani and Georgian internally displaced persons (IDP) population needs to be rethought. International humanitarian assistance to them has ended, but there are few socioeconomic programs designed to help the IDPs integrate into Azerbaijani and Georgian society. In parallel, in the Abkhazia dispute there needs to be increased energy put into making the Gali region fit for the return of Georgian IDPs; and in the Karabakh dispute there should be active discussion of schemes that allow for the possibility of international rehabilitation of the seven Azerbaijani occupied regions around Nagorny Karabakh prior to the signing of a full peace agreement and the return of IDPs. Conservative estimates suggest that a decade of work is needed to reconstruct these areas before they can be inhabited. Time is being wasted as these areas remain destroyed and empty.

Central Asia

Central Asia has been neglected by the international community. Its significance largely derives from proximity to other areas relevant to the international community, such as Afghanistan, Iran, and China. Yet how 'Central Asia' is defined is not straightforward. The Soviet designation did not include Kazakhstan, which is eager to stress its dual Eurasian character as belonging to both worlds due to its ethnic make-up and status as a middle income country rather than one that requires developmental assistance. Some argue that Afghanistan should be regarded as 'Central Asia', being linked ethnically and geographically.[18] In terms

[18] S.F. Starr, *A 'Greater Central Asia Partnership' for Afghanistan and its Neighbours*, Silk Road Paper, Central Asia – Caucasus Institute Silk Road Studies Program, March 2005, p. 22, available at www.silkroadstudies.org/CACI/Strategy.pdf.

of international policy implications, this seems artificial: Central Asian countries are functioning states where external actors play a limited role, while Afghanistan is an international protectorate which requires massive development assistance and maintenance of security by outside powers. This paper follows the approach used by the EU and the UN, describing Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan as 'Central Asia', but not Afghanistan – although potential spillover of that country's security challenges are considered for their impacts on Central Asia.

State Weakness

Central Asian states' political trajectories have grown distinct since independence. Kazakhstan is the most stable, followed by Tajikistan despite the civil war of 1992-97, which was among the bloodiest conflicts of the post-Communist world. The population that survived the war cherishes peace at almost any cost, making it easy for the government to use war weariness as a brake on expressions of protest. Tensions are developing along new fault lines, such as interethnic relations, Islamism, corruption, and social injustice, but are unlikely to lead to popular upheavals in the next five to ten years. Kyrgyzstan, Uzbekistan, and Turkmenistan are the most prone to internal turmoil. The largest, Uzbekistan, is a dictatorship which practices a high degree of repression, generating popular grievances. Kyrgyzstan is affected by power rivalries and resentments between the south and north of the country, which a weak central government is unable to resolve. Turkmenistan's despotic leader died in December 2006, but the country remained remarkably stable.

However, the five states share common characteristics, including rulers who practice varying degrees of authoritarianism and rely on networks of patronage and corruption which constitute important pillars of governance.[19] They are based on personal loyalty, most commonly rooted in kinship, but incorporating other affiliations.[20] The ruling groups exercise monopoly control over the most lucrative assets which are controlled either directly by the presidents or through their family members. As a result, all five states are in the bottom third of states ranked in Transparency International's *Corruption Perceptions Index*.[21]

The challenge to stability lies in the nature of political rule, making the foundations of statehood shaky and prone to shocks and crises. Personality politics substitutes for an orderly political process. Repression is often used as a problem-solving tool when states seem unable to cope with urgent economic and social matters, with the actions of security agencies being a major source of citizens' grievance. This creates a sense of injustice among populations and increases the likelihood of conflict fought over a social agenda. With the partial exception of Kazakhstan, opposition in a sense of organized and legitimate political dissent does not exist, its place to an extent being substituted by Western-sponsored NGOs which come under attack from the governments. Thus, grievances are stored underground, with few channels of political expression. In such circumstances protests are likely to erupt in a sporadic and violent, form rather than as organized political action.

Central Asia is vulnerable to crises of political succession, as has already occurred in Kyrgyzstan. The collapse of the regime in Kyrgyzstan in March 2005 demonstrated that beneath the appearance of authoritarian rule lies considerable fragility. Political institutions played hardly any role in attempts to resolve a crisis of power. Media commentators argued that regime collapse is a positive sign of democracy,[22] while some academics suggested that "this new phase of 'hyperdemocracy' … threatens stability in Kyrgyzstan."[23] Beyond Kyrgyzstan, three countries have been ruled by the same leaders for nearly two decades. Bureaucratic succession would be the most realistic option, but no preparation for this is visible. The dynastic variant would be hard to put in practice, as presidents are blessed with ambitious daughters, whose accession to power would be a no-go in a socially conservative Central Asian climate. Meanwhile, no state-managed process of succession is in evidence. If the president of Uzbekistan loosens his grip on power, it is unlikely that the political elites will manage a succession peacefully. A succession of coups, civil strife accompanied by score settling, or further dictatorships, may be the worrying options.

Interethnic peace may be at stake as the states advance toward the exclusion of minorities by

[19] For development of this argument see Jan Koehler, and Christoph Zürcher, *Conflict and the State of the State in the Caucasus and Central Asia: an Empirical Research Challenge* (Osteuropa-Institut der Freien Universität Berlin, Arbeitspapiere des Bereichs Politik und Gesellschaft, 2004).
[20] See for instance, Kathleen Collins, "The Logic of Clan Politics: Evidence from the Central Asian Trajectories," in *World Politics* 56, no. 2 (2004): 224-261.
[21] See Transparency International, *Corruption Perceptions Index* 2005, available at www.transparency.org/cpi.
[22] For example, Craig Smith, "West Plays Key Role in Kyrgyzstan," *The New York Times*, March 30, 2005.
[23] Scott Radnitz, "What Really Happened in Kyrgyzstan," *Journal of Democracy* 17, no. 2 (2006): 132-146.

dramatically reducing their access to state resources. While nationalism has not yet been a key feature of Central Asian politics, minorities are increasingly excluded. Official ideologies draw upon nationalism, while expressions of interethnic resentment are no longer discouraged by the state. Under-representation of minorities in government and state-related businesses is being normalized. If unleashed, nationalism may easily find a foothold in the Ferghana Valley, divided between Uzbekistan, Kyrgyzstan and Tajikistan, an area of 21 million inhabitants with no less than seventy ethnically distinct enclaves.

The Islamist Challenge

As the region detaches itself from its Soviet heritage and connects with the Greater Middle East, Sunni Islamism has came to play a prominent role in Central Asia. Political Islam survived underground during Soviet times[24] and emerged into the open during *perestroika*. In Tajikistan, Islamists waged a civil war against a secular government, but subsequently sought inclusion into the political system on the basis of power-sharing.

The authorities' claims that there are Islamist groups in operation in the region with a real destructive agenda should not be dismissed, even if government responses are not to the West's liking. The real danger will emerge if Islamists start to draw on popular dissatisfaction. At present, *jihadi* cells are more capable of spectacular acts of terror than of provoking popular unrest, with the public at present fearful of Islamists successfully portrayed as *jihadi* fanatics. Much of the legitimacy of current regimes rests upon their self-portrayal as bastions of secularism necessary for the protection of populations from Islamists. At the same time, the predominantly repressive methods employed by the governments and persecution of families of real or perceived Islamists draw in new martyrs for the cause. Unlike in the Middle East, Islamic groupings have not developed an alternative social safety net, but instead operate underground through a network of secretive cells. Nevertheless, the effects of globalization and discontent over economic and social hardship at home provide 'good causes' for Islamism to focus on.[25]

The Central Asian regimes view religion as a security problem and respond to Islamism with harsh measures. They emphasize external penetration of Islamist ideologues in the proliferation of *jihadism*, such as connections between the Islamic Movement of Uzbekistan (IMU) and Al-Qaeda confirmed by independent US findings of proof of such connections in Afghanistan and Pakistan.[26] The spread of *jihadi*, or as they are sometimes called in the region, *Wahhabi* groups[27] together with the experience of the civil war in Tajikistan taught the leaders that the suppression of Islamist groups is the safest option to prevent them from taking root.

Events in Andijan, Uzbekistan in May 2005 may point to future crises over different perceptions of Islamism among Central Asian and Western governments. While some portrayed these events as a human rights disaster when hundreds of innocent civilians were massacred by the government's troops,[28] with the EU partially suspending cooperation with Uzbekistan, others defended the right of the state to protect itself from Islamist insurgency.[29]

Afghanistan: A Neighborhood Challenge

Central Asia is also vulnerable to problems originating in Afghanistan. Afghanistan produces 90 percent of the world's heroin. The opium economy is socially embedded and widely seen as a normal economic activity. Experts note that "state-building in Afghanistan is endangered by the drug economy and by badly designed and poorly executed measures against it."[30]

Drug production has led to a boost in trafficking throughout Central Asia. The United Nations Office on Drugs and Crime (UNODC) warns that "increasing amounts of heroin will be trafficked through Central Asia, stretching law enforcement

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24 Vitaly Naumkin, *Between Pen and Rifle: Radical Islam in Central Asia* (Oxford: Rowman & Littlefield Publishers, 2005).
25 For analysis see Anna Matveeva, "Violent Valleys: Islam Threatens Corrupt Secularism," in *The World Today*, 61, no.7 (2006).
26 International Crisis Group, "Radical Islam in Central Asia: Responding to Hizb ut-Tahrir," Asia Report no. 58, June 30, 2003, p. 31; ICG, "The IMU and the Hizb ut-Tahrir: Implications of the Afghanistan Campaign," *Asia Briefing* no. 11, January 30, 2002.
27 On the different forms and terms for Islamic activism in the region see International Crisis Group, "Understanding Islamism," Middle East/North Africa Report no. 37, March 2, 2005; and ICG, "The IMU and the Hizb ut-Tahrir." *Wahhabi* is a term used locally in a broad sense to denote all ulama with a critical attitude to local customs and traditions. It does not necessarily imply a direct connection with Saudi Arabia and its brand of Islam.
28 International Crisis Group, "Uzbekistan: The Andijan Uprising," Asia Briefing No. 38, ICG, Bishkek/ Brussels, 25 May 2005.
29 Interview of Shirin Akiner, "UK Academic Says Interviews Corroborate Uzbek Official Death Toll," Uzbek Television first channel, Tashkent, 29 May 2005.
30 Jan Koehler and Christoph Zürcher, "Conflict Processing and The Opium Poppy Economy in Afghanistan," Alternative Livelihoods Project, Internal Paper no. 5, abridged version, Jalalabad/Berlin: August 2005.

authorities to the limits."[31] Central Asian borders with Afghanistan remain poorly guarded, and counter-narcotics efforts are hampered by endemic corruption. Overall, there is anxiety in the region that instability in Afghanistan may spill across into Central Asia, as it did in the early 1990s, when rival groups sought refuge in Tajikistan and resorted to hostage-taking. The capacities of the Central Asian countries' security sector to respond to external threats are weak.

The Long-Term Challenge of De-modernization

Many current economic and social problems are the effects of a reversal of Soviet-era modernization. The downgrading of physical and human infrastructure suggests worrying parallels with post-colonial trends, when a decline in inherited infrastructure eventually became irreversible. The latest UNDP Human Development Index reports confirm this trend. They place Central Asian countries firmly in the middle to lower parts of the list, also demonstrating clear deterioration over a 10 year period.[32] Poverty has become a reality for many Central Asians (except in Kazakhstan), concentrated in rural areas.[33] As many industrial jobs have collapsed, agriculture has become the major occupation. Land reform has taken place in all five countries and the state farms have been disbanded. However, land cultivation has become more extensive, with overuse for cotton production. Poor governance and corruption, administrative restrictions and closed borders, extensive cotton cultivation and gross inequalities in land distribution all contribute to deepening poverty.[34] Producers face numerous obstacles in moving their goods to markets. Road infrastructure developed in the Soviet era has fallen into disrepair, while post-independence states have restricted cross-border trade and introduced prohibitive tariffs and trade barriers.

In energy-rich and economically better off Kazakhstan and Turkmenistan the population is decreasing. However, Uzbekistan and Tajikistan continue to experience high demographic growth. In Uzbekistan the population has grown by five million since independence to reach over 26 million.[35] Population growth contributes to poverty, although birth-rates have declined from the Soviet era due to higher infant mortality and reduced state support. Still, Central Asia has a young population (eg. in Uzbekistan 36 percent of the population is below sixteen) that is increasingly less educated and less exposed to the outside world.

A decline in education and healthcare has eroded many Soviet social achievements. With the exception of Kazakhstan, the states offer little in terms of employment or social security, allowing a shadow economy, smuggling and labor migration to emerge as alternatives. As legitimate trade is restricted and monopolized by 'business groupings' close to power-holders, most petty trade is part of the shadow economy.

Labor migration to Russia and Kazakhstan is the main social safety valve, as the states have little to offer in terms of employment opportunities. Many poor families survive due to men sending home remittances. Over 1 million men from Tajikistan work in Russia every year.[36] The remittances they send home amount to $800 million a year, double the government's budget.[37] The figures for Kyrgyz and Uzbek migrant workers are almost as striking.[38] The states have no ability to levy tax on this money. Central Asian states are vulnerable to fluctuations in Russia's policies over migration.

Public health is a growing concern. A threat of waterborne communicable diseases is serious in the rapidly worsening epidemiological situation in Central Asia. Another grave issue is increased infant and maternal mortality caused by early pregnancy, multiple births, and lack of care by professionals during delivery.

The increased role of crime in politics is a relatively new, but unsurprising trend, given the region's location on major smuggling routes. In Kyrgyzstan after the March 2005 regime change the influence of 'shadow barons' became more overt.

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31 UN Office on Drugs and Crime, 2006 *World Drug Report*, vol. 1, p. 51, available at www.unodc.org/pdf/WDR_2006/wdr2006_volume1.pdf.
32 Respective rankings for 2005 and 1995 are Kazakhstan: 80–64; Turkmenistan: 97–86; Kyrgyzstan: 109–89; Uzbekistan: 111–94; Tajikistan: 122–103.
33 2004 estimates of population living below the poverty line were as follows: Uzbekistan 28 percent, Kyrgyzstan 40 percent, Tajikistan 64 percent; CIA, *The World Factbook* (2004). In 2005, GNI per capita was as follows: $450 in Uzbekistan, $400 in Kyrgyzstan and $280 in Tajikistan, The World Bank, available at http://web.worldbank.org under World Development Indicators database, April 2006.
34 For an excellent analysis of causes of poverty in Uzbekistan see Center for Economic Research/UNDP, "Linking Macroeconomic Policy to Poverty Reduction in Uzbekistan," Tashkent, 2005. Available at www.cer.uz/files/downloads/publication/LMPPR_en.pdf.
35 Uzbekistan's population totaled 20,607,000 in 1991. In 2005, population growth declined, but is still 1.2 percent, second only to Tajikistan, and 36.7 percent of the population is under sixteen. See "Population of Uzbekistan has grown by 314,000 in 2005," *Rosbalt*, March 3, 2006.
36 Saodat Olimova, Igor Bosc, *Labour Migration from Tajikistan*, International Organization for Migration in Cooperation with the Sharq Scientific Research Centre (Dushanbe: July 2003), available at www.iom.int//documents/publication/en/Tajik_study_oct_03.pdf.
37 "Russia: CIS Migrants", *Migration News* 13, no. 3, July 2006.
38 "Population of Uzbekistan," *Rosbalt*, March 3, 2006.

Criminal groups and security agencies are often used against each other by power-holders.[39] Regional criminal networks move into spaces where a security vacuum makes it easier to operate. Post-civil war Tajikistan was one such place where criminal-political groupings featured highly, but the strengthening of the state has dealt them a severe blow. From this perspective, the current presidents portray themselves as the last bastion against criminal networks coming to power.

International Engagement

International thinking about the region has been often marred by misguided preconceptions about the dangers it contains. Central Asia has fallen victim to many 'danger discourses': that it is subject to an AIDS epidemic, is awash with small arms, is a critical environmental hazard, and that remnants of the Soviet defense industry present a risk of nuclear weapons falling into hands of terrorists. Undeniably, there are grounds to pay attention to these issues, but their significance should not be exaggerated, as to date there is scarce hard evidence. Equally significant– but not so 'sexy' – problems of health, education, and employment receive less attention from external observers, but require more external support.

Capacities for responding to many of these regional difficulties are very low, as Central Asia has a low profile in international relations. While in some cases problem-solvers can also be problem creators, in Central Asia the truth is that no external actor – not even Russia – is interested in the region enough to be prepared to engage seriously with its problems. Most recently, in response to the November 2006 crisis in Kyrgyzstan, the International Crisis Group issued a conflict alert with a plea for the OSCE, EU, Russia, Kazakhstan, and the US to be more fully engaged.[40] Sadly, the UN's engagement is also rather limited. A better integration between the UN's political and developmental activities is needed to allow for a better analysis, anticipation of emerging trends and conflict prevention.

Russia

Russia remains the most significant external actor in the politics, economy, and security of Central Asia, acting both as an outside power broker in bilateral relations between states and as a regional player in its own right. Unlike in the Caucasus, Russia's relations with Central Asian states are more stable and its policies more predictable. Russia's retreat from Central Asia, interpreted by some as a permanent loss of influence,[41] proved temporary. Its strategic comeback in the mid-2000s rests upon three pillars: security (including counter-terrorism), energy, and the maintenance of friendly regimes on Russia's periphery. Moscow has mastered new instruments in the projection of influence, such as use of political economy, humanitarian aid, and support for education and culture. Russia's capabilities to engage have also grown thanks to energy revenues, stable leadership, and improved bureaucracy.

High-level political networking has enabled Moscow to capitalize on the paranoia of Central Asian regimes that the West tries to oust them by staging 'colored revolutions.' Western reaction to the Andijan events created a window of opportunity for Russia and China to move in. Unconstrained by human rights considerations, both operate on a pragmatic basis and seldom openly interfere in internal politics. Russia has two military bases in the region (in Tajikistan and Kyrgyzstan), and is expanding its military ties with Uzbekistan. Still, after its peacekeeping experience in the civil war in Tajikistan, which provoked suspicions of Moscow's neo-imperialist ambitions, it is highly unlikely to intervene into an internal crisis in any Central Asian state. It is more likely to deal with a winner who would emerge when the battles are over.

The coming to power of an anti-Russia regime in any country is hard to imagine. Unlike in Georgia, the existential choice appears to be not between the West and Russia, but between the latter and the Islamic world. For a secular constituency, Russia appears as a more acceptable and familiar version of 'Europe,' whose civilization was brought into Central Asia by the Russian/Soviet state. Culture, language, and education are Russia's unrivalled assets in the region.

And yet, Moscow's assertive role is also viewed by Central Asian elites with caution. There is little desire to experience Moscow's diktat and lose negotiating leverage vis-à-vis the former imperial master. The best scenario for Central Asian leaderships is to balance

39 One view is that national security services provide cover for organized crime, while the police try to arrest criminals: see Leila Saralaeva, "Crime Fighters Fall Out in Kyrgyzstan," *IWPR Reporting Central Asia*, no. 432, January 28, 2006.
40 International Crisis Group, "Kyrgyzstan on the Edge," *Asia Briefing*, November 9, 2006.
41 Lena Jonson, *Russia and Central Asia: a New Web of Relations* (London: Royal Institute of International Affairs, 1998).

between Russia and the West, and turn to a rival suitor when relations become politically expedient.

Western Actors

The US and the EU interest in the region is directly related to the 9/11 attacks and international intervention in Afghanistan. Since the beginning of the 'War on Terror,' the region has gained a prominent place in US strategy due to its location on Afghanistan's borders and expected benefits from supporting 'friendly' moderate Islamic states. US policy has gone full circle in Central Asia and won it little political capital, despite large expenditure.[42] The democratization policies of the current US Administration have an alienating effect and help to justify anti-Western rhetoric. Dialogue has become increasingly difficult.

The EU and its member states are the largest collective donor to the region – with the US being the largest individual donor and Tajikistan as the poorest country in the region being the funding priority. So long as the EU member states' military contingents remain in Afghanistan, these countries are likely to pay attention to the region. Presently, Germany has 300 troops in Uzbekistan and France has a small airbase in Tajikistan to support their respective NATO ISAF contingents stationed across the border in Afghanistan. However, the European Commission's technical assistance has not been matched by political profile and initiative. Relationships with individual countries are based on Partnership and Cooperation Agreements which are predominantly instruments of technical aid. In 2005 the EU political role expanded with an appointment of the EU Special Representative (EUSR) and additional steps taken to elaborate a common EU policy towards Central Asia.

Western rhetoric and external promotion of democracy (the US, OSCE and the EU) have started to backfire in the region and generate a rising tide of anti-Western discourse. Even the most pro-Western President of Kazakhstan Nursultan Nazarbayev announced that "Kazakhstan is no longer a state that can be ordered about and told what to do. We know what we have to do. We shouldn't run after foreign recommendations with our pants down."[43]

China, Turkey, and Iran

Throughout the 1990s, the most pressing issue in the China-Central Asia relationship was the prevention of Uighur separatist bids being launched from across China's borders. Pressure from Beijing on the governments of Kazakhstan and Kyrgyzstan appears to have been influential, and the significance of the Uighur issue has declined. However, China has come to see Central Asia as an unstable region on its borders. Turmoil in Central Asia would inevitably have repercussions for China, most notably through effects in Xinjiang, where development may be impacted by regional instability through disruptions to energy and raw materials, and inspiration to protest groups. Central Asia is likely to witness China's role in its political economy rise as Xinjiang develops; this, however, may lead to more resentment by Central Asian populations of China's growing presence and influence.

China may represent an important source of future demand for Central Asian energy and natural resources. An oil pipeline between Kazakhstan and western China was opened in 2005, and oil and gas deals have been signed in 2005 between China, and Uzbekistan and Turkmenistan respectively. China's efforts to develop Xinjiang province promise increased demand for Central Asian energy. In future, more energy is likely to be directed from Central Asia to China and still further to India.

Expectations that Turkey would play a significant role as a bridge between Europe and the Muslim worlds have not been borne out.[44] Ankara's initial enthusiasm was based on its discovery of a 'Turkic world' for which it could be a role model. However, both sides were disappointed. Turkey found that the Central Asians were disinclined to accept Turkish leadership, and that Turkey's perceptions of cultural similarity were exaggerated. Central Asians, in turn, resented Turkey's 'big brother' attitude, and saw that Turkey did not have much to offer politically or economically. In the end, Turkey was unable to compete with the Western players, multilateral organizations, or Russia.

A new – though still speculative – concern derives from international tensions over issues of nuclear

42 In Uzbekistan the US paid $15 million for use of an airfield, and in 2002 provided $120 million in military hardware and surveillance equipment to the Uzbek army, $82 million to security services, and $55 million in credits from the US Export-Import Bank.

43 Nursultan Nazarbayev in remarks at the Kazakhstan Civic Party meeting on November 10, 2006, reported by RFE/ RL in Bruce Pannier, "Kazakhstan: President Tells West – We Don't Need Your Advice", November 15, 2006, available at www.rferl.org.

44 Idris Bal, *Turkey's Relations With the West and the Turkic Republics: the Rise and Fall of the 'Turkish Model'* (Aldershot: Ashgate, 2000).

proliferation in Iran. Initially, engagement with Central Asian states and a new regional architecture in the wider Caspian region promised an end to isolation for Iran. However, little progress has been made, as Iran found itself facing new problems with the West which distracted attention and resources, and could produce fewer assets to back up its claim for a regional role. Now this agenda has been largely abandoned.

Geopolitical rhetoric has already cast a long shadow over East-West relations. A new 'Great Game' in the region may become a self-fulfilling prophecy if such discourse is promoted. A responsible attitude requires talking down geopolitical rivalry, not up. US, EU, and Russian security may all benefit from cooperation in the region; if a real disaster were to strike, they would join forces. In the absence of such pressures, cooperation on some issues and competition on others is to be expected, with Central Asian leaders turning to whichever suitor offers most at that moment.

One area where this is particularly evident is in the area of energy security. Before September 11, energy largely explained Western interest in Central Asia. Turkmenistan has the world's fourth largest proven gas reserves, Kazakhstan is rich both in oil and gas, and Uzbekistan is only slightly behind Turkmenistan. The Caspian Sea basin, the last great unclaimed petroleum resource, generated massive excitement among international energy companies in the 1990s. However, little has happened in Central Asia since then. As the states are landlocked, transportation to market is a problem. Russia controls the pipeline system, and non-Russian routes through Iran, Afghanistan or under the Caspian seabed have proved too politically complicated and carry high security and commercial risks. The only non-Russia/non-China option is potential Kazakh involvement in the Baku-Tbilisi-Ceyhan pipeline, so far not yet finalized.

Yet Central Asian leaders are not in such a dire need of foreign companies as fifteen years ago, and have learned how to play different powers against each other, with President Nazarbayev of Kazakhstan perhaps leading the pack.

The UN

Unlike the major powers, the UN has not pursued an identifiably coherent strategy in Central Asia. This is due to two factors: a lack of political vision and presence to promote it, and the disunited nature of the UN system, split between agencies and Country Offices. There are no serious divisions among the permanent members of the Security Council obstructing the capacity of the UN to play a role, because firstly, the region matters only a little in 'high politics', and secondly, the UN has not determined what its role could be. This was dramatically underscored by the lack of UN involvement in the 'regime change' crisis in Kyrgyzstan in March 2005.

UN engagement began in 1993 with the appointment of the UN Secretary General's special envoy for Tajikistan. In December 1994 the UN Mission of Observers to Tajikistan (UNMOT) was established to monitor the ceasefire. In June 1997 the Peace Accord was signed, ending the civil war. Demobilization and reintegration of ex-combatants was implemented by UNMOT and UNDP. In May 2000 when peace was secured, UNMOT completed its mission, giving way to the UN Tajikistan Office for Peacebuilding (UNTOP) to facilitate peace further. However, at present, after seven years of operation, it is far from certain what UNTOP can contribute.

UNTOP does not have either a mandate or capacity to address emerging challenges, or to operate on a regional basis. Attempts to deal with the development agenda, i.e. police reform, clash with UNDP's mandate. Meanwhile, UNDP Country Offices pursue their developmental programming on a national level with insufficient regard to the surrounding regional politics.

Due to the weakness of regional coping structures and limited scope for Western powers, the UN – which is on the whole perceived as a neutral and legitimate actor – has scope to play a more leading role in conflict prevention and crisis coping mechanisms, but it is unclear where the political will for such engagement would come from. One suggestion discussed within the UN is to open a regional conflict prevention office. A regional political presence would be a good initiative, if it were to integrate the interests of different UN agencies and facilitate political entreaties. The choice of location has to be carefully considered to ensure sufficient political neutrality and operational convenience. Still, political networking is not a substitute for a strategic vision, which is only slowly emerging. Given that risks in politics, development, and security in the region are so interconnected, they need to be addressed through gradual regime transformation and increased cohesion of the current states.

The OSCE, despite its status as an intergovernmental regional organization comprising 55 states, is perceived in Central Asia and in the CIS more widely as a 'Western actor,' since it is largely financed and

staffed by the Western states, promotes 'Western' values such as transparent electoral procedures or the human rights agenda, and supports pro-Western opposition figures. The OSCE is in retreat in Central Asia: while Kazakhstan bids for the OSCE Chairmanship in 2009 (the OSCE was unable to reach a consensus on the bid, as the US and the UK were against Kazakhstani chairmanship, and the Organization agreed to postpone the decision until the end of 2007), seeking to obtain recognition for its 'Eurasian' ambitions, in the other four states the Organization is losing ground. A concerted regional push against OSCE political interference – its electoral monitoring and human rights work – has benefited from Russia's opposition to OSCE.[45] Russia has become the organization's main critic, and consequently is influencing much Central Asian opinion. Dissatisfaction with the OSCE in Central Asia comes by extension of a more general widening gap between East and West and coincides with the interests of Central Asian regimes which see Russia's position as a useful shield in rebuffing OSCE engagement. There may be little future for the OSCE field missions in the region and beyond, unless Kazakhstan gets the chairmanship.

Regionalism

The UNDP Regional Human Development Report argues that 'regional cooperation' is an answer to multiple problems facing the region. Yet, the record of regionalism as a solution to major problems of trade, transit, and the sharing of water and energy resources – as well as interstate dispute resolution – has been poor. Since independence, the states of the region have grown more inward-looking, with closed borders, and the disruption of transportation links having reduced interaction between neighbors. States largely pursue obstructionist policies vis-à-vis each other. Central Asian states have not yet learned how to manipulate western donors and demand political favors from multilateral organizations, but have proven more successful in attracting Moscow's patronage, since they have a better insight into its political culture.

Regional cooperation organizations and initiatives have been numerous, forty-six including the Central Asian Cooperation Organization (CACO) and the Eurasian Economic Community (Eurasec)[46] which in October 2005 overtook CACO. Eurasec's primary goals are the establishment of common labor and capital markets, free intercommunity trade and policy harmonization. Expectations in Central Asia are that Eurasec may be able to make improvements in economic governance and free trade and transit. The Commonwealth of Independent States Collective Security Treaty Organization (CSTO or Tashkent Treaty) was largely dormant while Uzbekistan was temporarily absent (1999-2006), although Moscow has more recently sought to build it up as a regional security organization to counter conventional and new security threats, such as terrorism and drug violence.

Moscow became the most recent promoter of regional cooperation via fora it helped to create. Despite a dismal record in regionalism, Central Asia is the only place in the CIS where Russia-driven cooperation has a chance of success. The development of the Shanghai Cooperation Organization (SCO) as a vehicle to promote Russian-Chinese alliance is noteworthy. Cooperation progresses in the security sphere in the SCO, including peace mission exercises, while the economic dimension is also advancing, in parallel with Chinese investment into infrastructure projects. While transformation of the SCO into a closely-knit security partnership, such as the Warsaw Pact, is unlikely, it reflects a commitment of both powers to Central Asia, which may become a driving force in SCO development.

Undoubtedly, the SCO, CSTO, and Eurasec are all instruments of Chinese and Russian policy, but this does not mean that they cannot constructively address regional challenges. On the contrary, as they reflect long-term geopolitical interests of regional powers, they are more likely to be viable structures to address security challenges and bring in much needed investment into infrastructure projects. Although the power equation is in favor of Moscow and Beijing, they can counterbalance each other in terms of negative influence. International actors would be ill-advised to dismiss them as irrelevant. It would be wiser to give these organizations a chance on a case-by-case basis. This is already happening through engagement of the Asian Development Bank and UNDP with the SCO in their Silk Road Program.

Despite many failures of donor-driven efforts to foster cooperation, some donor-sponsored initiatives in particular fields have been fairly successful. Much

[45] Sergei Lavrov, Russian Minister of Foreign Affairs, 'The Comparative Advantages of the OSCE are being eroded,' Statement at the 12th meeting of the OSCE Ministerial Council (Sofia, December 7, 2004) in *International Affairs* (Russia) 51, no. 1, (2005): 16-19.
[46] On *Eurasec* see at www.eurasec.org.

international effort has been dedicated to strengthening border controls, while promoting trade among the Central Asian countries to boost economic development and interdependence, but with few tangible results. Programs such as the EU Border Management Program in Central Asia (BOMCA), the related CADAP (Central Asia Drug Assistance Program) and NADIN (anti-drug measures), US government-funded assistance in the security sphere and border management, UNODC anti-drug measures and UNDP Silk Road Program to promote trade and transit are among the more successful ongoing technical assistance and capacity-building initiatives in the area.

Three Scenarios

Worst Case

There is a significant risk that continuous instability in Afghanistan may take its toll on Central Asia. In the worst case scenario a proliferation of security threats, including terrorist networks, gun-running, and drug trafficking affects the region as a whole; social and economic standards decline, following a demise in inherited infrastructure which has become irreversible; states are unable to provide basic public goods and ensure order, which in its turn leads to sporadic violence. Out of such turmoil, or a prolonged succession crisis degenerating into public disorder, an Islamist group could come to power out of the ruins of a fallen regime (an Iranian-type scenario with Uzbekistan the most likely candidate). There are individual country scenarios. For Kyrgyzstan the danger is that it fails as an independent state and is dismembered into southern and northern parts, absorbed by Uzbekistan and Kazakhstan respectively. The rise of nationalism and ethnic tensions may take up the existence of ethnic enclaves in the Ferghana Valley as a cause, leading to violence in any of its three states.

Middle Case

In a middle case scenario, Afghanistan is in a 'no war, no peace' situation, but the threats it presents are contained. Central Asia grows into a backwater of a rising China, which consumes its raw materials. Corrupt secular regimes continue in power, elites grow richer and socioeconomic inequalities increase. However, the population generates income via labor migration and investment from the wealthier neighbors of Kazakhstan, Russia, and China, so the decline in living standards is not too steep. Political repression continues, but social infrastructure is maintained. Islamist groups are active and growing among younger people, but are unable to instigate action beyond sporadic acts of violence.

Best Case

In the best case scenario, the present dictatorships transform into more inclusive and liberal (but not democratic) regimes which reverse de-modernization trends. Border regimes relax, facilitating the flow of goods and people, and development of transport infrastructure creates opportunities for growth. Drug trafficking is contained to the extent that crime does not impact upon politics. States provide legitimate employment opportunities, so that citizens do not have to resort to 'survival crime.' Radical Islamist groups lose their appeal, while religion plays the role of a constructive social force.

Recommendations

Social infrastructure requires much more investment. Priority areas should be education and youth problems, such as meaningful employment, social activities, underage marriages and problems of young families separated by labor migration. Related issues of public health and sanitation need to move higher up in the list of priorities. Support in the field of economic/social development is the best form of engagement for the time being, as Central Asian countries would not be amenable to any external suggestion for political reform, but only gradual transformation after the new generation of Central Asian leaders comes to power. The absorption capacities of these countries also need to be developed, and this is best done through investment into human infrastructure.

The UN Department of Political Affairs must face the reality that UNTOP has fulfilled its purpose. What was a reasonable approach in the aftermath of the civil war, makes little sense ten years later. 2007 – the tenth anniversary of the Peace Accord – may be an opportune moment to declare the mission accomplished. Instead, a UN political presence in Central Asia with a conflict prevention mandate needs to be established on a regional basis. It should incorporate a structure for ongoing interaction with the UN political office in Afghanistan (UNAMA).

Finally, a poor record on democracy and human rights should not dissuade the international community from engagement. Otherwise the region at best will turn into an exclusive domain of Russia

and China with a political price attached, or at worst will fall prey to *jihadis*, drug barons, and other criminals. Governments need to engage in processes of gradual transition with the support (but without undue and counter-productive pressure) of the international community. The UN is the organization most likely to make a difference, as it is considered reasonably neutral. Moreover, Central Asian leaders can defy the West, but are not inclined to alienate the UN. The UN can make a real difference if it concentrates its human and material resources on the region, and scales down its involvement in Russia and Eastern Europe, which is long overdue. Poorer countries are in urgent need of developmental assistance before economic and social degradation becomes irreversible. The UN should take a substantial lead in agenda-setting, around which donor governments and multilateral organizations could unite.

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