



**“Assessing Energy and Security Issues in Central Asia”**

**The United States House of Representatives  
Committee on International Relations  
Subcommittee on the Middle East & Central Asia**

**July 25, 2006**

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Thank you, Madam Chairwoman and Members of the Subcommittee, for the opportunity to appear before you today. I am honored to participate in such a timely and critically important hearing.

I will discuss four key themes:

- I. Securing US energy interests in Central Asia;
- II. Forging mutually-beneficial strategic partnership with Kazakhstan;
- III. Countering anti-American developments within the Shanghai Cooperation Organization (SCO);
- IV. Recognizing security and stability concerns in Central Asia to advance US interests

**I. Securing US Energy Interests in Central Asia**

Once again, Central Asia’s energy infrastructure and resources have become a source of competition for the great powers. In this new rush, the two most important regional players are China and Russia. Energy-hungry China is actively working to reach long-term oil and gas agreements—and has billions of dollars to spend in order to obtain them. Russia is also spending considerable sums in the region in order to ensure it can maintain its monopoly over Caspian oil and gas transportation to Western markets. The US, however, is missing in action.

In the 1990s, the US rightly focused on the Caspian Sea region as an important non-OPEC source of oil. It also correctly identified the direct transportation of Central Asian gas to EU markets—rather than via the Russian-monopoly Gazprom network, or through a potential Iranian pipeline—as the best strategy for the region’s energy transportation future. While Central Asian gas will not reach US markets, the reduction of Russia’s energy monopoly in the region will nevertheless benefit the United States by curbing Moscow’s influence over the EU and its policies, especially regarding countries Russia

still considers to be in its backyard. To this end, the US has already supported several non-Russian (and non-Iranian) oil and gas pipelines from Central Asia—one of which was just inaugurated.

The \$4 billion Baku-Tbilisi-Ceyhan (BTC) oil pipeline was formally launched in Turkey on July 13—more than a decade after the project was conceived. As the Presidents of Azerbaijan, Georgia and Turkey all noted during the ceremony, this project is indeed historic and is a key steppingstone toward a new dynamic for the region. Having been closely involved with the BTC pipeline for the last decade, I clearly remember the naysayers who, until a few years ago, cited various reasons why the project would never work; they said that the pipeline was not commercially viable, that there were insufficient oil reserves in Azerbaijan, and/or that Russia would never allow it to be realized. Of course, without top-level engagement and active diplomacy on the part of the US government, the project may not have happened. Standing at the port of Ceyhan two weeks ago, I could not help but wonder if and when the US would once again become seriously involved in Eurasian energy developments.

In addition to BTC, there have been other successes in oil transportation, in part because the groundwork was prepared many years ago, and because regional actors themselves have shared a common vision. For example, the Caspian Pipeline Consortium (CPC) oil pipeline from Kazakhstan to Russia and to the Black Sea was completed; however, Russian intransigence on expansion and tariffs is causing great difficulty for American companies holding a stake in the project. Another positive development took place in June, when the long-lasting negotiations between Azerbaijan and Kazakhstan (over the latter state's participation in the BTC pipeline) were resolved—albeit only after Vice President Dick Cheney's timely visit to Kazakhstan. (President Nursultan Nazarbayev was one of the signatories of the Ankara, Istanbul and Baku declarations, which were signed in 1998 by the governments of Azerbaijan, Georgia, Turkey and Kazakhstan to support the creation of the East-West energy corridor, with the BTC project as the main export pipeline within the framework of this corridor).

Securing the east-west flow of Caspian *gas* has been much more difficult; so far, efforts have not been successful. Russia clearly won the first round of the Caspian gas competition. While the US backed a trans-Caspian gas pipeline to transport Turkmen gas via an undersea pipeline to Azerbaijan (and from there, via Georgia to Turkey and onward to European markets) Russia was able to finalize a gas pipeline agreement with Turkey to send its gas there via the so-called Blue Stream pipeline underneath the Black Sea. Despite clear signs that the latter pipeline would materialize, the US did not take it seriously; many believed the technology was not there, derisively labeling it the “Blue Dream” pipeline. However, with Turkey as the main interim market for Russian and Turkmen gas, and with that market reaching short-term saturation following the Russian Blue Stream gas pipeline, the Turkmen project was no longer commercially viable. (Clearly the unpredictable Turkmen president Saparmurat Niyazov made the project difficult from the start, but it was only after Blue Stream was the clear “winner” that the project failed; Niyazov did not want to take on Russia directly.)

In part because of the authoritarian rule of Niyazov, until recently the US had abandoned its Central Asian gas strategy. The standard arguments were that the US should not engage in energy dialogue with Niyazov until and unless he made improvements to the democracy and human rights situation in the country. Given that he is not likely to do so, it was deemed best to wait him out, and begin energy talks with his successor—no matter how far in the future. This policy was clearly not working. In fact, while the US waited, the Chinese and the Russians have moved in to fill the vacuum.

More recently, the trans-Caspian gas pipeline idea was revived by the US Administration, but this time starting with Kazakhstan. According to the new strategy, Turkmen gas will be added only later, if at all. The logic is that there is already plenty of flared gas (gas released as a byproduct of industrial operations, and which would otherwise be wasted) in Kazakhstan that could instead be transported to Western markets. Given Kazakhstan's pragmatic energy development policy and demonstrated interest in the East-West corridor, this option seems to be the best way forward.

Yet this too may not materialize unless the US is seriously committed to changing the energy dynamics in Eurasia, which ultimately means confrontation with Russia's regional energy strategy. To come up with a coherent and pragmatic strategy, it is necessary to look at the broader Eurasian energy picture—specifically at the activities and plans of Gazprom. While many have wanted to turn a blind eye to the possibility that the US and Russia may not have a “win-win” option in Central Asian energy, it is clear that Russia is playing to win it all, regardless of US interests. This makes sense from Russian perspective: Gazprom's basic strategy is to maintain its monopoly in the region, with which it can purchase Central Asian gas at below world-market prices, channel it to lower-paying Russian customers, and sell its own domestic reserves to Western Europe at high prices. It can further protect its lucrative European markets by freezing out independent Central Asian suppliers. By maintaining and strengthening its monopoly power, Gazprom will strengthen its leverage (and that of the Russian government) over European gas consumers. To do this, Gazprom desperately needs continued supplies of Central Asian gas (primarily from Turkmenistan and to a lesser degree Kazakhstan) in order to meet its supply commitments.

Turkmenistan has long been the key to Gazprom's European markets strategy. Gazprom has been able to buy Turkmen supplies to satisfy demand from the low-price Russian domestic market, and then selling Russian domestic production to European consumers at a price three to four times higher. In this way, Gazprom has been able to make billions of dollars in profit, and has avoided having to undertake expensive corporate restructuring and technology improvements to increase its domestic production. To meet its supply commitments to Europe, Gazprom needs Turkmenistan to continue to sell its gas at these below-world-market prices—which can only be done if Turkmenistan has no other outlet but the Russian pipeline network.

This unhealthy dynamic has existed for over a decade. In the early 1990s, Turkmenistan already began trying to use the Soviet-era transit pipeline from Central Asia to Russia in order to directly export gas to hard-currency markets in Europe; yet, even then Gazprom

had no desire for Turkmen competition. Turkmenistan cut off gas supplies to Russia in 1997 over transit and price issues; Gazprom then declared that it would never allow Central Asian producers to use its pipeline system for exports to Europe.

This was the time the US recognized the broader geopolitical implications of this dynamic and supported the concept of transporting Turkmen gas to European markets via a Trans-Caspian gas pipeline—but, as described above, it did not succeed. With pressure from Russia and with no other option to get its gas to European markets, in April 2003 Turkmenistan locked itself into a 25-year supply deal with Gazprom. It reluctantly agreed to the arrangement, which designated EuralTransGas (the predecessor to the controversial RosUkrEnergo) as the intermediary for the shipment of the gas to Ukraine and western markets. A trilateral agreement established a 50-50 cash barter system for payments by Ukraine; the deal also provided for an increase in Russian purchases of Turkmen gas from 6 billion cubic meters (bcm) in 2005 to 10 bcm in 2006, eventually reaching 80 bcm in 2009.

In December 2004, Turkmenistan once again halted gas supplies to Russia and Ukraine. Ashgabat reportedly demanded \$60 per thousand cubic meters (tcm), but Russia's Gazprom declined to increase the price. In April 2005, Russia and Turkmenistan finally clinched a deal to end the price dispute. It was agreed that Gazprom would make all payments in cash at \$44/tcm, thus terminating the earlier barter arrangements. Then in October 2005 Turkmenistan requested another increase in the price of natural gas supplied to Russia. On December 30, 2005, Gazprom agreed to buy 30 bcm from Turkmenistan at \$65/tcm this year, including 15 bcm in the first quarter. (Last year, it bought 10 bcm).

Since then, Niyazov has belatedly realized that with the 2003 agreement, Gazprom was able to prevent independent access for Turkmen gas to Europe. Niyazov seems to have decided to try and break out of this situation—encouraged especially by Washington's renewed engagement with Ashgabat and by Vice President Cheney's historic speech in Vilnius on May 4, where he stated that "...actions by the Russian government have been counterproductive, and could begin to affect relations with other countries. No legitimate interest is served when oil and gas become tools of intimidation or blackmail, either by supply manipulation or attempts to monopolize transportation."

Cheney then traveled to Kazakhstan to lend the necessary political support. Subsequently, the leaders of Kazakhstan and Turkmenistan have taken a tougher line in negotiations with Gazprom. Kazakhstan began charging the company \$145 for its gas, up from \$50, and Turkmenistan demanded \$100, instead of \$65. When an agreement was not reached with Gazprom, Turkmenistan threatened to cut off gas supplies in September if by then no agreement is reached. The recent position of the Turkmen side indicates that it too now understands the unfavorable nature of the status quo—in which it sells gas at below world-market prices while being subject to the near total transport monopoly of another country—and may be willing to explore alternatives.

While Turkmenistan's internal dynamics have been problematic, thus discouraging potential Western involvement, Niyazov needs support in his current effort to once and for all end Gazprom's control over the energy future of his country—and ultimately, of the entire region. This support should not of course be intended to prop up Niyazov's authoritarian regime. Instead, it should be intended to help the EU, along with other key regional allies such as Georgia and Ukraine, to achieve lasting energy independence. If high-level Western support is not forthcoming, Niyazov may once again give in to Russian pressure in the absence of any alternatives.

Clearly, all the same commercial and political challenges that prevented the trans-Caspian gas pipeline from materializing remain, and Turkmenistan (as well as Kazakhstan and also Uzbekistan) is only more dependent on Gazprom for export. While a trans-Caspian gas pipeline may not work, there are other creative ways to bring Central Asian gas to European markets. These will materialize only with active US involvement, as neither Kazakhstan nor Turkmenistan will act alone—if they did so, they would risk the fury of the Russian and Iranian regimes.

## **II. Forging Mutually-Beneficial Strategic Partnership with Kazakhstan**

While I have mentioned Turkmenistan as the key gas market in Central Asia, Kazakhstan is the largest oil producer in the region and the second largest gas producer in the CIS (after Russia.) It currently ranks second among non-OPEC countries in its oil production and by 2015 is expected to produce close to 3 million bbl/d, placing it within the top echelon of oil-producing countries, and higher still in the ranks of oil exporting countries. When it comes to oil, Kazakhstan is the crown jewel of Central Asia.

As mentioned above, Kazakhstan has announced its participation the BTC pipeline and is sending oil to the Black Sea via the CPC pipeline. In both projects, American and Kazakh interests converged, making them a success for both countries. However, Kazakhstan rightly does not want to limit its options; it eventually hopes to export significant volumes of oil via Iran and is already closely cooperating with China as well. Ultimately, China's proximity and growing demand for oil will most likely make it Kazakhstan's largest oil consumer. China has in fact been very aggressive in gaining access to Kazakhstan's energy sector, in which it has invested heavily. China sees Kazakhstan as its major source of oil supplies for the medium and long-term future; a pipeline to China was opened in 2005.

Kazakhstan not only has the largest recoverable oil supplies in the region; it also has the largest gas production. It has approximately 2,000 bcm of explored natural gas reserves, with unexplored reserves (including Caspian offshore potential) estimated at 8,300 bcm. In recent years, domestic gas production has averaged 12 bcm annually; by 2020, Kazakhstan hopes to produce 40 bcm per year.

Given Gazprom's Central Asian gas strategy, and following Cheney's visit to Kazakhstan, Russia refocused its attention on the country—specifically on its gas sector. Russia has sought to lock in Kazakh supplies for the long run, thus preventing their

independent transport to Europe—by way of, for example, a trans-Caspian gas pipeline. President Putin invited Nazarbayev to the G8 summit; subsequently, on July 17, they created a joint venture to process natural gas from Kazakhstan's Karachaganak gas field (which is one of the world's largest gas condensate fields, located on the Russian-Kazakh border). Moves such as this one make clear that the US should no longer take Kazakhstan and its pro-Western orientation for granted.

Situated between Russia and China, Kazakhstan has “stable and predictable” relations with the three major powers—i.e., the US, China and Russia—as well as with its Central Asian neighbors and Iran. For Nazarbayev to keep his country in close alliance with the US at a time when anti-Americanism is on the rise even in Central Asia, and when China, Russia, and Iran to different degrees are trying to push the US out of the region, he must be able to demonstrate that Kazakhstan's contributions and achievements are being recognized and rewarded by the United States. The US can best do so by ensuring that a mutually beneficial strategic partnership will be reached by the time of Nazarbayev's visit to Washington in September.

While some have opposed President Bush's invitation to Nazarbayev due to the Kazakh leader's shortcomings on democracy and human rights, these criticisms must be put in perspective. While the democratic process may not be moving as fast as many have hoped, given the regional and domestic dynamics it is a relief that the Nazarbayev government has not abandoned its reform agenda altogether. It is time for the US to recognize that democracy building requires institution building, and, most importantly, patience. No Central Asian leader will listen to US lectures about democracy, given the current situation in Iraq and the broader Middle East. Moreover, if one is going to espouse a principle of not embracing oil-rich authoritarian governments, the White House should begin by no longer hosting the leaders of Russia or Saudi Arabia.

Kazakhstan has been one of the staunchest American allies—even though at times the US has taken this alliance for granted. With China and Russia having increased their diplomatic and commercial outreach efforts, and with the Russian media (very widely watched in Kazakhstan) broadcasting stridently anti-American messages, the US needs to be even more engaged in Kazakhstan; otherwise, it may become yet another “lost” country like Uzbekistan. Since the color revolutions in Georgia, Ukraine, and especially in Kyrgyzstan, other Central Asian governments have rightly feared a similar fate and drew closer to Russia and China—where rulers are equally concerned about such developments in their own countries.

For now, there are numerous factors that bring the US and Kazakhstan closer together. Kazakhstan desires to become a regional hub—something that is possible not only because of its geographic location, but also because it is richer and more stable than many other countries in the region. Kazakhstan also wants to become fully integrated with the international economic and political system; it hopes to join the WTO in 2007; and is campaigning to hold the OSCE chair in 2009. In its efforts the proliferation of arms and nuclear material, Kazakhstan is a model country; for example, it is working closely with its neighbors to establish a nuclear free zone in Central Asia. It is also seeking to mediate

between the West and Iran. In short, Kazakhstan wants to become a net contributor to regional and international security and economic development.

While it has not been widely reported, Nazarbayev was the only Central Asian leader who expressed a desire for the new Georgian and Ukrainian post-revolutionary governments to succeed. Last winter, while Georgia was in the midst of yet another crisis with Russia over gas supplies, Nazarbayev attempted to deliver some gas supplies to Georgia, though this attempt was thwarted by Gazprom's refusal. Recognizing the importance of foreign investment into the fragile Georgian economy, Nazarbayev has actively promoted the investment of Kazakh businesses in Georgia's infrastructure. In doing so, he has been serving US interests as well.

Kazakhstan now also wants to help Afghanistan in the same way—by sending in its companies and by investing part of its oil revenues to help rebuild this war-torn country. Kazakhstan is also eager to play a dynamic leadership role in economic development and regional cooperation with Pakistan and India. Kazakhstan will thus not only be a key US ally in bringing positive change to Central and South Asia, but will also gain experience as an investing country. After experiencing the inevitable challenges investors face in such markets, Kazakh businesses may in turn push for changes inside Kazakhstan as well.

The US should support Kazakhstan in its efforts in all these areas—not just for the benefits to broader American regional interests, but also for the positive effects on domestic developments. Hearing lectures about the evils of corruption or of political repression will not magically change Nazarbayev's calculations—which, unlike in the Western system, also include clan dynamics. The US should also respect the evolutionary model Kazakhstan has chosen, according to which the necessary economic basis (including a middle class) is developed first, followed then by political reforms. To do so otherwise, Nazarbayev has feared, would have led to a collapse of the whole system. They had experienced just such a collapse at the close of the Soviet era, during which the political reforms of perestroika were not followed by the necessary economic developments. If full openness was reached too quickly, without the establishment of a democratic culture, Kazakhstan would never have been able to make the progress it made. For generations, the Soviet mentality held that the law was something to be avoided; or, at best, something to be exploited toward one's own ends. In this context, a cultural shift is necessary; given this context, Kazakhstan has made incredible progress, especially as compared to other Central Asian countries.

In September, the US should reach a mutually beneficial, comprehensive strategic partnership agreement with Kazakhstan—though not according to the model of the pact signed with Uzbekistan in 2002, which was forgotten shortly afterwards. The US and Kazakhstan share many interests and even many values; a forward-looking strategic partnership must include a recognition of shared values as much as shared interests. For example, Kazakhstan (like the US) is a multi-ethnic country with significant religious diversity; it wants to demonstrate to countries such as Iran and Afghanistan that it is possible for a multiethnic society to live and prosper in peace. Kazakhstan is also a

secular Muslim democracy and a potentially great ally in the current war of ideas. It can demonstrate that it is possible for oil-rich Muslim countries to use their wealth to invest in human capital and promote moderate Islamic teachings. A strategic agreement needs to include all these areas of common interest.

### **III. Countering anti-American developments at the Shanghai Cooperation Organization (SCO)**

Despite public denials by China and Russia (the co-chairs of the SCO) that the organization is becoming an anti-American alliance, facts on the ground indicate that it is indeed moving in that direction. These sentiments are a byproduct of two factors: competition for energy resources with China and Russia, competition with Russia over the construction of new pipelines, and the perceived American promotion of democratic revolutions throughout the region. The Sino-Russian energy and security cooperation is extremely significant in light of developments in and around Central Asia over the last several years. While it is difficult to fathom a long-lasting strategic partnership between the two countries, at least for now they seem to have decided to cooperate to reduce the influence and presence of the United States in Central Asia.

The SCO had previously been a weak regional alliance consisting of co-chairs Russia and China, and the Central Asian countries of Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan, with Mongolia as an observer. Yet, benefiting from the growing concern over perceived U.S. support for the revolutions in Georgia, Ukraine and Kyrgyzstan, Russia and China used last July's SCO summit to issue a joint declaration against the presence of the US military in the region. Soon afterwards, the US military was evicted from the Karshi-Khanabad air force base. Last year, India, Iran and Pakistan joined as observers as well; moreover, Iran has recently sought full membership.

While SCO partners all have shared security concerns about the three evils of separatism, terrorism and radicalism, it is ironic that Russia and China seem to disregard the longer-term impact of their anti-American stand in Central Asia: by opposing the US, they are effectively bolstering the position of the Islamists. The evolving jihadist groups benefit from the globalized "anti" movement, i.e. anti-establishment and anti-America—since America is the leader of the "established world order". This is why various seemingly illogical alliances are being formed—Russia's Putin is reaching out to Hamas, Iran's Ahmadinejad is cultivating ties with Cuba, and Venezuela's Chavez is praising the anti-American insurgents in Iraq.

All the familiar conditions that allow Islamist extremists to gain a foothold are present in Central Asia: injustice, corruption, repression, unemployment, big power competition, etc. There are also additional contributing factors, such as the vacuum, caused by absence of a viable ideology—following the collapse of Communism ideology, Central Asians did not experience the benefits of the "free world" and are acutely feel the need to belong and to have a fulfilling sense of identity—needs which the Islamists claim to satisfy.

The US needs to work with its allies within the SCO to ensure this organization will not become an alternative alliance to NATO or other major international political/military alliance. To accomplish this, the US (and the EU) needs to recognize once and for all that the real threat to the region's stability is posed by the Islamists and terrorists, so SCO is not the only international body active in this area.

The best ally the US has inside the SCO is Kazakhstan; in fact, had last year's summit not taken place in Kazakhstan, the SCO final declaration about the US military bases would have been much harsher. It was thanks to Nazarbayev's careful balancing of interests that the statement was softer than it could have been. As I previously explained, in order to pursue its interest in the region, the US must develop a comprehensive, mutually beneficial strategic partnership with Kazakhstan.

#### **IV. Recognizing security and stability concerns in Central Asia to advance US interests**

Clearly, there will not be any significant investment in Central Asia's energy sector unless there is political stability and security in the region. Central Asian leaders will also remain reluctant to work with the US on energy issues while the US remains oblivious to their security concerns. In fact, the US interest in maintaining the security of the region—especially against Islamist fundamentalism—coincides with the interests of Russia and China, who also see such fundamentalism as a key threat. It also coincides with the interests of the Soviet-era authoritarian leaders, who fear that militant Islamism could prevent them from remaining in power. Yet despite these shared interests, there are key differences. Russia and China see the selective support of the US for democratic regime change in the region as a security threat; according to these states, such support may open the door for the rule of Islamist extremists. A rethinking of US democracy promotion—not of the concept itself, but rather of its implementation—is urgently needed to best secure US energy and security interests.

Otherwise, with the US essentially out of the picture in Central Asia, and with China and Russia steadily increasing their influence, the Islamists will get stronger as Central Asian governments become more repressive and less reformist. In other words, with China and Russia filling the political vacuum, the region's leaders will follow their worst authoritarian tendencies—thus dramatically increasing the appeal of the Islamist message of “justice.” Unfortunately, by following the logic of the principle that “the enemy of my enemy is my friend,” the Chinese and the Russians are exacerbating the conditions that support Islamist movements.

Moreover, the inability of the US to understand the actions and ideology of Islamists in Central Asia has prevented the development of effective American strategies. To place things in perspective, let me just discuss four key developments in Central Asia: the terrorist attacks in Uzbekistan in 2004, the overthrow of the Kyrgyz government in the so-called “Tulip Revolution,” the events in Andijan, and the recent developments in Tajikistan.

In 2004 there was a series of terrorist attacks in Uzbekistan—the first major incidence of violence in the country since 1999. The bombings were directed not just against Uzbek targets, but were also aimed at the US and Israeli embassies. While it was clear that these attacks were well-planned and well-coordinated, not enough attention was paid in the West. Most Western analysts focused on the reaction of the Uzbek government (i.e., questions such as whether or not indiscriminate mass arrests took place), rather than on the goals and identity of the attackers. Despite the fact that it was waging its own “war on terror,” and despite its status as Uzbekistan’s “strategic partner,” the United States made only negligible efforts to investigate these attacks. The lack of response of the US greatly emboldened the terrorists who became convinced that because of the nature of the Uzbek government, they could get away with murder—literally.

A second development that emboldened the terrorists was the Western reaction to the overthrow of the Kyrgyz government, from which they distilled three important lessons. First, if framed the right way, (i.e., as a peaceful civic uprising against an oppressive, corrupt regime,) neither the US nor the Europeans would stop any opposition movement in the region. After all, until recently Akayev had been praised as “the poster child of democracy” in Central Asia, but many in the West were happy to see him removed from office. A second message was that the use of force (as also demonstrated by the Uzbek attacks) could be tolerated by the West as well. Third, extremists found that by exploiting the excitement and anticipation about color revolutions among the Western liberal media and the various democracy and human rights NGOs, they were able to convince the world that they were the “good guys.”

With the power vacuum in Kyrgyzstan, I believe it was relatively easy for the terrorists to plan the uprising in Andijan, which is close to the border between Uzbekistan and Kyrgyzstan. One may ask, however, why (if extremist elements were behind the Kyrgyz revolution) we have yet to see the overt rise of Islamists in the country. The answer is tied to the strategy of the Islamist groups, such as Hizb ut-Tahrir (HT), that are active in the country: they are not yet ready to rise and do not want to become visible prematurely. If the Islamists wait for a few years, then they will easily gain influence—especially given that the current Kyrgyz government is unlikely to deliver on its promises on social and economic issues.

The planners of the Andijan uprising, the third major development in the region, seem to have waited to initiate it until they felt that the local and international context was right. Their planning seems, in this respect, to have been ideal. After the uprising and subsequent repression, most of the Western media and the international human rights and democracy NGOs immediately jumped on this “opportunity” to launch an anti-Karimov campaign. Again, there was very little interest in the terrorists’ identity or goals. (Note that while the Islamists and the terrorists use different operational tactics, they ultimately share the same end goal; the only difference is whether they adopt a long-term, social engineering route or that of a short-term, violent confrontation.)

The overall inability of many analysts to understand how a group like Hizb ut-Tahrir operates is one of the reasons why the analysis of the Andijan events has been flawed.

Most observers did not recognize the role of the Islamists in the uprising, even though there were shouts of “Allahu Akbar” (God is great) by the organizers of the uprising—usually an unambiguous sign of Islamist elements! In the future we can expect Islamists to be even more sophisticated and only use slogans such as “justice”—one simply needs to look at the people involved. In the case of Andijan, they were followers of the HT splinter group Akramiya.

What is Akramiya? There was a huge misunderstanding of this group as well. Akramiya’s founder is Akram Yoldashev, an Uzbek former HT member, who eventually left to create his own network. Yoldashev did not stray far from HT’s ideological fold, however, and his group shared HT’s ultimate goal of creating an Islamic state, while focusing mainly on activities in Andijan. In his writings and speeches (especially to Western audiences), however, Yoldashev was very careful—only those with a deep understanding of the political ideology of Islamism could see the threat Akramiya posed.

The end result of Andijan is that the US military is no longer present in Uzbekistan, at a huge cost to intelligence and counterterrorism efforts in the region. The West has also lost the ability to influence the Uzbeks to open up their political and economic systems. Now the Chinese and the Russians are guiding the Uzbeks—states that can hardly be counted on to improve the democratic or human rights situation in Uzbekistan.

Another consequence of Andijan is the flight of hundreds of people who are seeking refuge in various parts of Central Asia. Who are these people? Are they all really innocent civilians or are there Islamists among them? Many of these refugees sought refuge in Kyrgyzstan (and some in Tajikistan), as did many Uzbek Islamists, who for years have been fleeing repression at home to operate in the more open environment of Kyrgyzstan. In fact, it is believed that the Central Asian HT leadership is based in the Kyrgyz city of Kara-Suu, which has a large ethnic Uzbek population. Kyrgyzstan has generally been too soft on the Islamist issue; by the time its government realizes the threat posed by groups such as HT, it may be too late.

While it is hard to assess the veracity of their statements, Uzbek officials have recently been quoted as saying that terrorists now based in Kyrgyzstan are planning to attack Uzbekistan. Of course, given the Uzbeks’ anger at Kyrgyzstan for having sheltered these militants and their perception of this move as a hostile act against the Karimov regime, they may be intending to use the threat of attacks by Kyrgyz-based terrorists as an excuse to carry out military strikes on Kyrgyz territory, but it is unlikely. However, given the increased activity in the Ferghana Valley since the Andijan events, which further emboldened the terrorists, there is a strong possibility that Kyrgyzstan-based militants might indeed engage in cross-border attacks in an attempt to spark inter-state military conflict, which always benefits their cause.

That brings me to the fourth incident: the most recent incursion of militants from Tajikistan to Batken in Kyrgyzstan. It started in May when armed men attacked a border post and killed two guards, mortally wounding a third. The men then seized a stockpile of weapons, and after crossing into Kyrgyzstan killed a customs official and a civilian.

These are not unlike the type of killings we saw in Andijan. They are also reminiscent of the January 2006 incident in which militants raided a Tajik prison, killed the warden, and freed a prisoner with alleged ties to the Islamic Movement of Uzbekistan (IMU). In Andijan the freed prisoners reportedly had links to Akramiya. (Batken was already made famous in 1999 and 2000, when the IMU conducted raids from Tajikistan but were prevented by Kyrgyz troops in the Batken area from continuing into Uzbekistan.

It is very disturbing that there are so many heavily armed people operating in and around Tajikistan, Kyrgyzstan and Uzbekistan, especially because we do not know who they are (though some are likely to have come from Andijan). Government officials in all three neighboring countries are confused; they blame HT, IMU and others, but I suspect that they simply do not know. However, given the increased drug trafficking and the previous involvement of the IMU, which has been waiting in the mountainous areas of Pakistan and Afghanistan for the right time to reemerge, it seems safe to say that the group is beginning its activities again.

If the US remains on the sidelines of these developments, or worse, is perceived to be siding with the Islamists, then it will be extremely difficult to talk about increased energy or security cooperation with the Central Asians.

### **Conclusions and Recommendations**

For the US to ensure its energy and security interests in Central Asia, a new framework is needed. Following the color revolutions and the determined Russian (and, to a lesser degree, the Chinese) effort to reduce the US presence in Central Asia, the US can no longer afford to ignore developments on the ground. In the short term, the US will not have much influence in the democratic reform process in the region. The carrots the US (and the EU) can offer the Central Asians will not be attractive enough for them to bite, while the sticks the West can use will not be painful enough to induce change.

As I outlined in my testimony to the Senate last year, there is no win-win strategy possible with Russia in Central Asia regarding energy given the Kremlin's use of energy as a political weapon and Gazprom's need to obtain as much of the Central Asian gas as it can to keep Russian domestic gas prices low, and to provide uninterrupted gas supply to its European consumers.<sup>1</sup> The US has two options: it can either give up, which is not advisable, or it can become directly engaged at the top levels on the issue—just as the Russian government has done throughout the last several years.

The US has made some efforts thus far to try to work with Central Asian leaders, especially Nazarbayev and even Niyazov; yet occasional visits by US officials will never be enough. It was extremely important that Vice President Cheney went to Kazakhstan in May; his personal engagement was critical in providing the impetus for an agreement on trans-Caspian oil shipments and in securing Kazakhstan's commitment to explore the

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<sup>1</sup> Zeyno Baran, Testimony on "Energy Supplies in Eurasia and Implications for U.S. Energy Security." International Economic Policy, Export and Trade Promotion Subcommittee. U.S. Senate. September 27, 2005.

possibility of a trans-Caspian gas pipeline. Yet nothing was done to follow up on his visit so far. Instead, it was Russia that acted quickly, reaching yet another agreement for Gazprom to transport Kazakh gas to European markets. The countries of Central Asia, as well as transit and consumer countries such as the South Caucasus states, Turkey, Bulgaria and Greece, will need to see continued engagement by the US as Russia inevitably continues its top level gas diplomacy.

An opportunity was lost at the recent G8 summit to urge Moscow to abide by commonly-accepted commercial norms by ratifying the Energy Charter Treaty (ECT). The ECT commits its signatories (Russia has signed the ECT, but is refusing to ratify it) to liberalize pipeline access and to prohibit the unilateral halting of supplies to any country. It is intended to integrate the energy sectors of the former Soviet countries with that of Europe. Instead of accepting international norms, the Duma instead passed a law to legitimize Gazprom's monopoly on gas exports. It is simply irresponsible for American policy makers to let Russia continue to benefit from exposure to foreign investment and integration into the world economy, including the prospect of WTO membership, while excluding the US and Europe from any meaningful energy involvement in the former Soviet space.

To devise an effective energy strategy for Central Asia, dynamics in the Caucasus, Black Sea region and EU markets must be considered. We know that Russia will increase the gas price to Ukraine—it delayed such a move in order to avoid a headache at the G8, and to wait await the formation of a new Ukrainian government. If the pro-Russian Yanukovich becomes the Prime Minister, then the price increase may be more gradual, if a pro-Western leader takes power, then the price may be tripled. We also know from last year's gas cutoff to Ukraine that there is a direct link between Central Asian gas and Europe's own energy security. The markets are indirectly connected, but it would be benefited by a direct connection.

To accomplish this, the US (together with the EU) needs to be more effectively involved in the success of post-revolutionary Ukraine and Georgia—first by recognizing that the Kremlin does not want them to succeed (and in fact is actively trying to undermine both states' reform process) and also by helping them with their own energy-diversification and institution building efforts.

Second, while Kazakhstan is a natural strategic partner for the US, and while this relationship clearly needs to be nurtured and strengthened, the US cannot succeed in Central Asia by relying on one country alone; it has to find a way to cooperate with Turkmenistan on energy and with Uzbekistan on security.

Finally, the threat from the Islamist extremists in Central Asia is real, and not simply an excuse used by authoritarian leaders to crack down on their domestic opponents. It is true that more repressive policies are indeed making the Islamists' appeal stronger. But the answer is not to let the SCO take over the security agenda, which will only make the threat of terrorism worse for the region's own stability and broader US interests. The US

has to come to grips with the ideology and strategy of Islamist groups in order to be able to counter their further growth in Central Asia and beyond.