



## DIVERSITY: EUROPE IN CENTRAL ASIA

**The European Union's drive into Central Asia must lead to further energy diversification**

**Executive Summary:** Central Asia is a vast region rich in energy resources and other raw materials. It is also a geopolitical space of growing strategic importance, particularly for the European Union. European penetration of the region offers part of the answer to our over reliance on unstable Russian energy supplies. But Central Asia is also a diverse region, requiring specific and tailored policies from Brussels, taking security, economy and political issues into consideration. This Strategic Briefing advocates that Europe must:

- Crystallise its nebulous Central Asia strategy, and increase its traction and authority as soon as possible.
- Seek to 'integrate' the Central Asian countries into Europe's sphere of influence, by offering unique incentives and investment into energy infrastructure.
- Encourage constitutional reform and the enhancement of good governance.

Recent decisions by the Kazakh and Turkmen governments to sign contracts to pipe their gas supplies into the Russian pipeline system seem to shatter the key founding *realpolitik* reason behind the European Union's drive into Central Asia. A crude analysis might therefore assume that without this driving force, European involvement in Central Asia is unlikely, but this would negate the driving policy directive that should be the foundation of any European policy towards Central Asia: diversity.

In the most immediate sense such contracts do damage to the primary European strategic concept of diversity: energy supply. And this reality would seem to be further frustrated when one bears in mind the 24th May Austrian decision to allow Gazprom into its markets, and throw doubt on the Nabucco pipeline. Nabucco was a pipeline from Turkey to Bulgaria, and

then up through Romania, Hungary and to Austria that would have been a key bridge to bring Central Asian gas into the European system outside Russian control (naturally other links were required to bring the Central Asian energy to Turkey first). Most assumed the reason Europe was expressing an interest in Central Asia was that they saw it as offering a key way to diversify their sources for hydrocarbons.

### **Unwise Reliance on Russia**

At the moment, Europe is excessively dependent upon Russia for its energy supplies. This reality not only leaves all of Europe vulnerable to the strong-arm tactics employed by Moscow against Ukraine, Belarus, Georgia and Lithuania, but it also locks the continent into Russia's unsustainable extraction mechanism.

Russia's state-controlled energy giants, Gazprom and Rosneft simply do not have the money available to reinvest in key extraction and transport infrastructure. Gazprom may rake in profits from Europe, but it loses money at home, and is mired in debt from its takeover of Sibneft. Ironically, Gazprom meets its domestic demands by purchasing Turkmen gas more cheaply, so that it is able to sell its own stocks at a more lucrative rate to Europe. While foreign investors are increasingly pressured into ceding control of Russian energy assets to domestic firms, Gazprom spends capital on acquiring foreign interests and companies outside of its sector (a prominent example of this was the government steered purchase of NTV, Russia's only independent television channel, where oligarch and former owner, Vladimir Gusinsky, was pressured to sell to Gazprom). What investment is poured into infrastructure tends to be targeted more towards nurturing potential links to future Asian markets.

The European Union has already felt the sting of this underinvestment. In January 2006, Italy's main energy firm Eni was obliged to dip into reserves when Russian supplies turned up five percent under request. Russia was swift to dismiss the allegations, but prime minister Silvio Berlusconi was nonetheless faced with the unpleasant prospect of going into an election campaign obliged to ask Italians to conserve energy during a particularly cold winter.

### **Central Asian Energy Opportunities**

In contrast, emerging energy producers in Central Asia are far more open to foreign investment, cognisant of the fact that they are unable to exploit their fields alone. The almost hermitical nature of most of the governments in the region means that it is notoriously difficult to make an absolute estimate about the size of Central Asian fields, but it is hard to ignore their potential and more importantly they are within credible reach of European networks. While it would be incorrect to pretend that Central Asia could somehow displace Russia as Europe's main energy supplier, were Europe able to pipe gas

and oil directly from Kazakh and Turkmen fields, then Europe would be less beholden and dependent upon Russia. This in turn might lead to some gradual readjustment in the overall relationship between the two sides, liberating Europe from its occasionally timorous tendencies towards its Eastern neighbour.

However, as should be incumbent on any policy that is focused around the notion of diversity, energy should not be the solely motivating factor behind the European policy towards Central Asia. While energy is undoubtedly a critical issue, there must be other motivating factors that ensure that this region remains one that the European Union should stay engaged with.

Before going into detail, however, it is worth pointing out that Moscow's recent deal with Kazakhstan and Turkmenistan does not remove energy from the table. In a potentially Freudian slip, Kazakh president Nursultan Nazarbayev opened his comments at the official signing meeting by stating, 'we are signing a document on the establishment of the Transcaspian Pipeline', referring to the Europe's preferred pipeline to take energy from the region into European networks across the Caspian, and forgetting that it was in fact the Prikaspiisky Pipeline deal, to take gas to Russia that awaited his signature. Beyond this, the Kazakhs and Turkmen have not ruled out the Transcaspian route. Furthermore, due to the significant uncertainties in Russia's energy industry, some have thrown doubt on Moscow's ability to carry through their part of the bargain.

### **Trafficking, Terrorism, Governance**

Nonetheless, the real reason why Europe should not let this throw it off the scent in Central Asia is that energy should not be the sole driver behind involvement in the region. If seeking *realpolitik* reasons, then one need only look towards the threat of drugs and human trafficking across Central Asian borders. Almost ninety percent of Europe's heroin comes from Afghanistan, and while most of this passes through refineries in the South, the European Union estimates that some twenty percent of Afghanistan's opium transits through Central Asia on

to Russia and Europe.

Furthermore, while there have not been any direct attacks by Central Asian Islamist groups in Europe, letting such regions fester with Islamist extremists has proved devastating, as with the Taleban in Afghanistan. In spite of NATO's presence in Afghanistan, its borders with Uzbekistan and Tajikistan are notoriously porous. Kazakhstan's vast border with Russia is not even marked. The steppe's wild expanse ignores the line on the map, as do the arms, human and drug traffickers that routinely step over it. The region has already expressed a great deal of concern over border issues: the Shanghai Five (the precursor to the Shanghai Cooperation Organisation) was initially founded to help demarcate borders in the region, and in fact, until 11th September 2001 and a renewed push towards terrorism, this was the SCO's main tangible achievement. NATO has concentrated on helping nurture defence reform, but a European investment in local police forces, border controls and the applications of lessons learned from European domestic experiences would be helpful. Some work on this is already being done through Brussels' Border Management Program in Central Asia (BOMCA), but corruption on the ground and very gradual progress has led some to question European commitment.

Beyond this, the European Union does have some experience in dealing with former Soviet states that still feel in the thrall of their former big brother: Europe should build on this experience to reach out to Central Asian nations. While arguably Brussels has mishandled this in its own 'former Soviet space', within Europe there are many examples of states overcoming authoritarian pasts. As ageing leaderships in some of the Central Asian states look to their futures, they fear either coups preceded by assassinations (as some have speculated in mercurial despot Turkmenbashi's demise), or outright chaotic collapses (as in Askar Akayev's ignominious fall in Kyrgyzstan), the European Union might help establish institutions that could ensure more orderly power changes.

This is not to say that Europe should help authoritarian regimes retain power, but rather help establish the institutions that mean that the inevitable power shifts remain as bloodless as possible.

Reinforcing this, while it may be hard for Brussels to offer the Central Asian states the same sort of no-strings-attached contracts that the Chinese (or even Russians) offer, the truth is that the European offer comes with a degree of local capacity building that is beyond Chinese offers. While there may have been teething issues with European contracts and capacity building until now (the relatively small nature of the investment, and the slightly patronising way in which it is implemented), the European Union is eager and able to learn from its mistakes as it goes along, something that is reflected in early drafts of a pending European strategy paper on the region that places a particular emphasis on local capacity building. Europe should emphasise that it is willing to play a long game in the region that is beyond the immediate demands of Chinese contracts to extract energy or sell products.

For proof of this, one need only look to the recent European strategy papers on Central Asia that demonstrate a careful balancing and rebalancing of cold rational reasons and more nebulous democracy promotion. On the one hand, they ask for local reform, but on the other they offer support of WTO membership for those not members, and increased financial support as well as a heavier local footprint to aid implementation.

Beyond these reasons, the Europeans should make sure to diversify beyond clear *realpolitik*. Europe often tries to broadcast itself as a moral authority in the world, and where better to take this message than to a region that is currently ruled by authoritarian governments prone to Russian or Chinese notions of democracy? Europe must be careful not to alienate the very governments it seeks to engage, but at the same time, a solidly grounded, long-term strategy will give European moral authority true gravitas.

### **Diverse Countries, Diverse Policies**

The third form of diversity requiring some emphasis is a diversification in

the European Union's relations with the region writ large. Early drafts of the European strategy paper to be released at a 21st-22nd June Council meeting, seem to show signs that it is moving beyond its previous tendency to clump all the Central Asian states together. This policy must be emphasised going forwards. If Europe is genuine in its desire to promote civil liberties and good governance in Central Asia then it cannot realistically treat the group as a homogenous country cluster meriting identical treatment. In much the same way that European internal structures increasingly operate on different levers, the European Union's foreign policy towards Central Asia must have alternate levers and breakers dependent on which of the five is being dealt with.

Kazakhstan and Kyrgyzstan offer the best and immediate opportunities to assist in the improvement of governance, while Tajikistan is critical to assist efforts across the border in Afghanistan. Previous efforts that ostracised already isolated Turkmenistan and Uzbekistan served no purpose.

While recent constitutional changes in Kazakhstan seem to have secured Soviet-era leader Nazarbayev's rule for at least another presidential term, the same reforms have increased the powers of the elected parliament, and loosened some restrictions on NGOs. The country's booming energy-fuelled economy (over ten percent GDP growth in 2006) has been realised through increased loosening of state restrictions. While Nazarbayev is still an autocrat, he has shown keen interest in links with the West, has not shunned calls for better governance, and as the leader of the region's budding power remains a key relationship for the European Union to foster.

Kyrgyzstan has found itself in political turmoil since its 2005 Tulip Revolution that relatively peacefully overthrew the increasingly authoritarian Askar Akayev. The past two years have seen prolonged negotiations between parties and factions, renewed demonstrations and government stasis. But, outright violence has not broken out, and reports on the ground

indicate that the average Kyrgyz has become more politically conscious and active in the process. Lacking any significant raw materials on which to build prosperity, Kyrgyzstan is eager for any international partners, a void that China seeks to fill as it floods the nation with its cheap goods and services. The European Union stands well placed to step forward and offer a less mercantilist alternative that any Kyrgyz government would undoubtedly welcome.

Uzbekistan's recent history with the European Union has been difficult to say the least, and in the meantime, the iron-fisted Islam Karimov has moved Central Asia's traditional hegemon further into Moscow's orbit. Relations have soured due to a renewed European arms embargo imposed on Tashkent after the 2005 events in Andijan, in which government security forces murdered hundreds of protestors. Subsequent protests from Europe and America prompted Karimov to sign military cooperation and basing agreements with Moscow. However, while Karimov was shocked by what he interpreted as an affront on his state's sovereignty, his foreign policy preference before 2005 was oriented towards the 'advanced industrialised West', and he is known to be uncomfortable in Russia's shadow. Even while the embargo continues, Germany has managed to maintain an avenue of communication open, and a military base on the Afghan border at Temez, meaning that the current German Presidency's push to engage the region is one that could theoretically also encompass Uzbekistan.

Despite the death of the infamous Saparmurat Niyazov, or 'Turkmenbashi' — the father of all Turkmen — late last year, Turkmenistan does not seem to have undergone serious changes in its politics or civil society. For now, the gas-rich country's new leader, Gurbanguly Berdimuhammedov seems intent on perpetuating the former strongman's personality cult and stifling control over society. However, as the recent energy deal with Moscow illustrates, he is not committed to Turkmenistan's former international isolationism. If there ever was a time for Brussels to engage Turkmenistan, the time is now. If

sufficiently purposeful, Europe's Central Asia strategy might just catch the power brokers in Ashgabat before their foreign policy commitments congeal.

In the context of the European strategy, Tajikistan is mostly characterised by the lack of positive foreign involvement, be it investment, security cooperation, political engagement or civil society support. The Tajiks look to Moscow for leader Emomalii Rahmon's (Rahmonov until a March 2007 de-Russifying name-change) traditional support, and Iran's fellow ethnic Persians. The country's mid-1990s civil war left it with a unique power-sharing scheme between Islamist and secularist factions. Strengthened European engagement has the potential to build on currently modest gains in combating transnational terrorism and trafficking, strengthening effective governance in Tajikistan, while bolstering NATO efforts in neighbouring Afghanistan.

### Engagement Through Diversity

Engaging these states comes in the face of heated competition from other poles in the wider geographic area. Russia seeks to keep the Central Asian countries in its orbit of influence by reinforcing Moscow-driven multilateral economic and security institutions in the region. China has clear policies that do not differentiate in that they work closely with all for simple mercantilist aims. The European Union should pointedly reward those who are willing to work with it towards its benign pursuit of institution building, but not subsequently punish those who do not. Emphasis must be placed on the fact that the same carrots are on offer for the all five states, but without making

them feel that the price of cooperation is too high or requires some sort of cleavage with other regional powers. One way to do this would be to look towards investing in communal hydroelectric plants, something that the European Bank for Reconstruction and Development (EBRD) has already hinted towards. This is the critical long-term element of this game for the European Union, since it is only over time that the benefits missed will be noted by those not receiving them.

And, none of these areas of diversification takes into account the diversification that the Central Asians themselves would like to pursue. While they have regularly rejected new 'big brothers' they are only able to do this through a careful playing off of each of their suitors. Another suitor would be welcomed in this respect.

While the SCO would seem to be the ascendant framework for the region, a closer connection with the European Union would give the Central Asian states a valve from this potentially overbearing institution which could be interpreted as a vehicle for China and Russia to divide the region between them. Closer inspection reveals that the SCO is primarily a Chinese driven institution, and reflecting this, has a typically Chinese non-aligned and non-interfering mandate. While it remains one of the few regional institutions with some money behind it (again, courtesy of the Chinese), the other regional institutions are mostly Moscow driven and have inherited substantial physical connections with the region. At the same time, they lack real investment



**Overcoming energy dependency must drive Europe's strategy**

and ambition beyond a generalised way for Moscow to retain some clout in what it sees as its own backyard. A carefully calibrated European policy towards the region would recognise these realities and bear them in mind when formulating an engagement policy with the region. They cannot simply be discounted, but selective engagement, and a recognition of where the strings are being pulled internationally, will be crucial.

Central Asia is a diverse region with five newly born states that embraced the trappings of nationhood in the wake of the Soviet Union's collapse. A sound European Union strategy towards it will acknowledge this threefold: in its relations with the region; in its needs from the region; as well as in its treatment of the independent states of Central Asia.

**—Raffaello Pantucci and  
Alexandros Petersen  
London, 7th June 2007**

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**'In matters of national security, the best politics is no politics.'**

**— Henry M. Jackson**

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