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Editor-in-Chief

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Central Asia- Caucasus Institute
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Editor's Note

Dear Readers,

For some years, springtime, and more exactly the month of April, has been the occasion for political demonstrations in Georgia as well as in Kyrgyzstan. In April 2010, the latter was shaken by a new "revolution" of an as-yet unknown color and consequence. For several months, critiques of the increasingly authoritarian management of President Kurmanbek Bakiev worked to redynamize the opposition, despite its internal divisions. The President used legislative reforms to reduce further the scope of action of the parliament, the opposition parties, and the media. Presidential nepotism was also heavily criticized in public opinion, which denounced the President's son, Maksim, for attempting to take control over the country's key economic sectors. The demonstrations multiplied rapidly. Then, following a bloody battle between the forces of order and the demonstrators in Talas, the country erupted into violence, resulting in the deaths of a hundred persons. The government fled without attempting to mount some resistance to the provisional government, at whose head is the former Foreign Affairs minister Roza Otunbaeva. This event revived the concerns of neighboring countries as well as those of the international community about the stability of Kyrgyzstan, where state control is weak and the economy highly criminalized. Bakiev's flight to his southern bastion also highlighted the latent North-South tensions, putting the unity of the country in danger.

Early in 2010, the United States started to formulate a more comprehensive policy for Central Asia, hoping to strengthen economic cooperation and to develop collaboration on the Afghan issue. However, U.S.-Kyrgyz negotiations on opening a antiterrorist centre in Batken have raised controversial considerations in Central Asia and the geostrategic balance remains relatively unfriendly to Western powers. At the economic level, Central Asia will probably be at the heart of a readjustment of the U.S. strategy on export routes for hydrocarbons. Indeed, Washington and the European Union seem determined to depoliticize the future Nabucco pipeline by considering Moscow's participation in the hope of weakening the Russian competition coming from the South Stream project, but also to bring Turkey and Azerbaijan in line, and to obtain firm and final commitment from Turkmenistan. At the regional level, tensions between Uzbekistan and Kyrgyzstan in the Fergana Valley have not diminished. In January, clashes occurred on

several occasions between Uzbek and Kyrgyz customs officials. These events have been commonplace for several years but they help to raise popular tensions on both sides of the border. Politically, the presidential election held in Uzbekistan in December 2009 and the parliamentary ones in Tajikistan in February 2010 have confirmed the dominance of presidents and their authoritarian regimes, while the Organization for Security and Cooperation in Europe is still waiting for gestures of goodwill from Kazakhstan's chairmanship.

Our commentaries give the floor to three experts—Western, Russian and Taiwanese—who speak on current issues in the region. Daniel Stevens analyzes the 2007 presidential elections in Uzbekistan and the convolutions of discourse that the personalities involved in the so-called political competition must manage, calling for a greater diversity of candidates without ever questioning the leadership of Islam Karimov. Alexander Knyazev gives his views on the situation in Afghanistan, the multiplicity of Afghan actors, and the potential role that the SCO could play in the region if the organization were to adopt a common policy towards Kabul. Finally, Jen Kun Fu recalls the importance of the increasing competition between India and China in Central Asia and the overall balance in which it operates.

The analytical articles section opens with a historical study, provided by Bruno de Cordier, on the "Fedayeen of the Reich," the hundreds of thousands of peoples of Muslim background from Soviet Eurasia and the Balkans who served in Hitler's armies as combatants or as labour auxiliaries. At a time when the debate on the parallels between radical Islam and fascism rages, he returns to this historic event and the political and cultural struggle of some Muslims against Soviet domination. His study confirms that this comparison poses a problem, as the internationalized jihadism of today is not a heavily industrialized one-party state with imperial ambitions and a racial ideology, but a more informal network of groups fighting mainly for local reasons. However, ideological loans from traditional European anti-Semitism, like the myth of the *Protocols of the Elders of Zion*, are spreading rapidly in the Muslim world under the guise of criticism of Israel's handling of the Palestinian issue. Yuhui Li, meanwhile, invites us to reflect on the development of urban culture in Xinjiang, taking as an example the development of the city of Shihezi in the Gobi desert, built by the Chinese regime as a model of rapid and successful urban development in the northwest provinces. Again, the historical perspective allows one to better understand the social dynamics at work in this sensitive frontier region. Indeed, Beijing

sees in the modern economy, wrongly or rightly, a solution to the political, identity, and religious questions of the Uyghurs.

Five articles are devoted to the "great game," mainly related to energy and strategy, between powers in Central Asia, understood in a broad sense to include the post-Soviet states, Afghanistan, Iran, and part of the Russian Federation. James Bosbotinis assesses the role and importance of Central Asia in Chinese national strategy from a mainly geostrategic point of view—securing the northwest frontiers and the operation of the Shanghai Cooperation Organization—but also in a broader context from the complex partnership between Beijing and Russia, and a notional Pakistan-Central Asia-Xinjiang energy corridor. Elaheh Koolaee and Masoud Imani-Kalesar recount in detail India's energy security ententes toward the Caspian Sea region and question the country's inadequate access to these resources compared to the great interest New Delhi has shown in it for a decade. Their approach is complemented by that of Simon Shen, who departs from the assumption that ideology-driven energy diplomacy now exists—the major powers have found it increasingly necessary to rationalize their ambitions ideologically—and examines New Delhi's difficulties in finding a mode of ideological expression in Central Asia. Nima Nasrollahi Shahri focuses on the legal framework of Iranian petroleum exploitation and its evolution throughout the twentieth century. Since the 1990s, a movement toward pragmatism as a result of growing needs for foreign investment can be noted, which suggests that further amendments should manifest in years to come and assist in the regional reintegration of Tehran into the international oil scene. Finally, Anna Aseeva turns away from the Asian scene to remind that Eurasian energy issues are also highly conditioned by the relationship between the European Union and Russia, and the ability of both players to avoid a new gas crisis, which threatens political stability in Ukraine. The lack of EU alternatives to buying Russian gas enhances the power of Moscow, but should also accelerate the commitment of Brussels to promote Central Asian and Middle Eastern energy.

Sébastien Peyrouse, Managing Editor

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On Initiative Groups and Presidential Elections: Shifting State-Society Relations in Uzbekistan

Daniel Stevens[*]

Introduction

The Presidential elections in Uzbekistan held on December 23, 2007 did not attract a great deal of attention in the international press. This may be largely attributable to the unsurprising nature of the result (the incumbent, Islam Karimov, won with a reported 88.1 percent of the vote) as well as the predictability of the reactions from international observers - the Commonwealth of Independent States and Shanghai Cooperation Organization delegations giving the election a clean bill of health[1] and the Organization for Security and Cooperation in Europe (OSCE) limited mission lamenting the lack of competition[2]. However, this does not mean that there is nothing we can learn from the election process, in particular the identity of the other candidates and how they campaigned provides us with insights into the changing dynamics of state-society relations in Uzbekistan.

In addition to the first woman candidate, Dilorom Tashmuhamedova, who has since been elected speaker of the parliament[3] and a representative of the former communist party, there was a third alternative candidate - Akmal Saidov. He is a well known interlocutor between the government and the international community on issues of human rights and democratization. A former law professor, Rector of the Tashkent State Institute, ambassador to France and permanent representative at UNESCO, Saidov has a strong background in legal

[*] Daniel Stevens is based at the Institute for Volunteering Research, UK.
[1] Uzreport, "Elections were free and legitimate - SCO observers mission," *Uzreport.com*, December 25, 2007; "CIS mission: presidential elections free, open and transparent," *Press-uz.info*, December 26, 2007.
[2] "Strictly controlled Uzbek elections did not offer a genuine choice, ODIHR observers conclude," *OSCE.org*, December 24, 2007.
[3] "Dilorom Tashmuhamedova elected Speaker of Legislative Chamber of Oliy Majlis of Uzbekistan," *Press-uz.info*, January 28, 2008.

issues and international approaches to law. Since 1996, he has been director of the National Centre for Human Rights, in which capacity he has been central in Uzbekistan's reporting within the framework of a number of UN conventions. Since 1997 he has been a member of parliament and from 2000 chairman of the Committee for Democratic Institutions, Non-Governmental Organizations and Citizens' Self-Governance Bodies of the Parliament of Uzbekistan (in short the committee for civil society). Saidov was thus portrayed as the representative of civil society and his nomination and the way in which he campaigned is indicative of certain trends occurring within state-society relations.

Akmal Saidov's Presidential Campaign

First, Saidov's campaign demonstrates that the discourse of civil society and political liberalization is alive and well in a country commonly understood to be rejecting democracy. His campaign speeches were peppered with references to raising the legal literacy of the population, the importance of the rule of law, and the need to create a legal foundation for a vibrant civil society. Such a civil society is in turn considered essential for the development of democracy, and in many ways the election process was portrayed as a rallying call for citizen activism, a school of democracy. The legislative framework for democracy was there, argued the government, and all that was needed was for the people to actively make use of their rights. For example in one speech, Saidov chided journalists for their habit of "self censorship" - what he described as the "biggest problem" in the media.[4] Formal censorship had been abolished some years back, so why hold back?

However, what this candidacy also illustrates is that the embrace of the concept of civil society has significant limits, primarily an aversion to the principle of pluralism that many theorists would argue to be foundational. This liberal definition emphasizes not only that civil society should be in tension with the state, but also that, in contrast to a monolithic state, civil society should necessarily be a place of pluralism. Post and Rosenblum talk in terms of the "pluralism and particularlism of civil society in opposition to the inclusive and overarching norms of government. Push the boundary too far in the direction of government, and civil society can wither away."[5]

[4] "Uzbek presidential hopeful urges reporters to get rid of 'self-censorship'," *Press-uz.info*, December 7, 2008.

[5] Robert C. Post and Nancy L. Rosenblum, "Introduction," in Robert C. Post and Nancy L. Rosenblum (eds.), *Civil Society and Government* (Princeton: Princeton University Press, 2002), pp. 10-11.

That civil society has been withering in Uzbekistan is the contention of many analysts, though supporters of the government would retort that there are still five thousand public organizations in the country. To what extent the quality of pluralism is found within that quantity is a critical question, and the campaign of Saidov points to an answer.

What was intriguing about his nomination was that he did not run for any political party but as the nominee of a voters' "initiative group". The term initiative group, referring to a loose grouping of a small number of citizens, was back in the 1990s and early 2000s primarily used to describe an NGO in waiting. It was a status enabling small groups of individuals (commonly 8-10) to receive funding for a project while at the same time registering to form an NGO. However the electoral law also allows for such an initiative group, numbering no less than 300 citizens, to nominate candidates for elections. Details on the makeup of the "voter's initiative group" that nominated Saidov are hard to find. It seemed to form on October 5, 2007 to nominate Saidov and then again on November 8 to confirm the nomination.[6]

This provision in the electoral law, and its use in this case, are suggestive of a number of points. It illustrates the attempt by the government to argue that its electoral system is not just approaching the standards of advanced democracies, but also improving on them. Not only are political parties allowed to nominate, but also any group of citizens - defying the interpretation that somehow Uzbekistan restricts competition by weeding out candidates at the point of nomination.

However the way in which the initiative group nominated the candidate suggests that the idea of the plurality of civil society is not yet embedded in state-society relations. There was just one nominee from one initiative group, and as such one candidate of civil society. Thus all we know about this initiative group from the English language media is that it represented all the regions and "different strata of the population."[7] In a plural society one would expect different civil society organisations to represent the interests of distinct regions, or different strata of the population. In Uzbekistan civil society is expected to speak with one voice. The civil society candidate was given permission to use the *Jamiyat* (society) newspaper, founded by nongovernmental noncommercial organizations, for its election campaign since each party had its own newspaper.[8]

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[6] "Voters initiative group decides on nominee to run for presidency," *Uzreport.com*, November 9, 2007.
[7] "Citizens' initiative group nominates candidate for President's post," *Uzreport.com*, October 8, 2007.
[8] Government of Uzbekistan, "Election commission registers presidential candidates," News item, <http://www.gov.uz/en/content.scm?contentId=31002> (November 21, 2007).

This nomination process also raises questions over the transparency of state-society relations. As well as receiving little information about the make up of the initiative group, another issue not discussed is how this band of citizens managed to achieve the impressive feat of gathering 814,870 signatures in support of the nomination in the space of just over a month. Article 24-2 of the law on the presidential elections states that an initiative group must collect the signatures of at least 5 percent of the electorate, from at least eight of the country's fifteen regions.[9] Some might be concerned that it had not, which raises serious questions about the legality of the nomination process, but even if one gives the benefit of the doubt, it points to a very well coordinated campaign, which suggests that the forces of civil society are very well marshalled and coordinated.

This is probably the main emerging theme in state-society relations in Uzbekistan - that while the value of citizen activism, and the concept of civil society are talked up, the main emphasis is on the state overseeing and closely controlling its development. The concept of "social partnership", introduced by international donors in the late 1990s, has been reduced to discussions on how civil society and the state can more closely align. To replace the foreign funding of NGOs, deemed potentially subversive and clamped down on since 2004, the state has stepped in as the main funder of NGOs. It has been promoting grant competitions, for example the "state financing certificates" offered to the NGOs by the "Fund for the Support of Non-Governmental Non-Commercial Organizations of Uzbekistan under the National Association of Non-Governmental Non-Commercial Organizations of Uzbekistan."[10]

This reliance on state funding suggests that state sanctioned civil society has very limited independence. Back during the early 2000s when NGOs enjoyed international donor funding, concerns were raised about how sensitive to grassroot concerns such NGOs could be when the vast majority of their funding was not received from membership fees but from international grants. Accountability is necessarily directed towards the source of funding, and this dependence on foreign funding meant that attempts to instil greater accountability towards an NGO's constituents or members was swimming against the tide. Now with the state assuming this role of funder, the same dynamic is evident - as long as an NGO survives by seeking state grants, its priorities will reflect those of the state rather than that of their particular set of constituents. Since the state is more coordinated that a collection of international donors, which at least had slightly differing priorities, then the amount of pluralism is necessarily going to shrink further.

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[9] "O vyborax Prezidenta Respubliki Uzbekistan [On the elections for the President of Uzbekistan]," *Uzreport.com,* September 10, 2007.

[10] "The best NGO social projects are offered grants," *Press-uz.info*, January 21, 2008.

The government's concern about pluralism is also evident in the approach to democracy as a whole. The government was disappointed by the criticism of the OSCE that the election was not competitive, and one pro-government internet news provider carried an interview with an academic, Aftab Kazi[11], who defended this rejection of the pluralism principle.

What is immediately striking about this interview is that the interviewee expressed that which had previously been unspoken - that the three "opposition" candidates in the election were actually supporting the incumbent, Islam Karimov. The way in which the only opposition candidate back in 2000 had openly voted for Karimov was something of an embarrassment, and so this time round the three opposition candidates were seen voting but without specifying for whom. For those who followed the campaign, however, it was clear that each of them expressed full agreement with the President's current policies and effectively acted as a campaign team in promoting the achievements of the current government and promising a continuation of these reforms. However Kazi made this more explicit arguing that "people have the right to support or not support somebody, even if he/she is candidate for the post of the president, even if they support another candidate. This is their right, they made use of it."

The interview also highlighted the use of the cultural argument to justify Uzbekistan diverging from European or Western norms. He argued that the OSCE was insisting that "there is no competition of ideas without shame" - just because the candidates did not throw tomatoes and eggs at each other, this does not mean that it was not competitive. The OSCE was portrayed as Eurocentric, unable to understand the "Asian" approach to democracy. For good measure the geopolitical argument was thrown in - the West was annoyed at the "independent policy of the Uzbek authorities" and frustrated at its inability to assert neo-colonial control.

The problem with this argument is that it was not just a lack of tomatoes and eggs being projected on the campaign, but also alternative ideas. Each candidate accentuated different achievements of the government, and future reform plans, as befitting their given role of representing different issues, but at the end of the day there was one just one manifesto, and no discussion of the possibility of alternative approaches. Indeed it was not so much the journalists guilty of self-censorship, but the candidates themselves.

[11] The report introduced him as Professor of Johns Hopkins University, though it seems he is only affiliated to one of their research programmes. "Aftab Kazi: 'I'm amazed with the high level of preparation to elections'," *Uzreport.com*, December 26, 2007.

Conclusion

Uzbekistan's concerns with pushing pluralism too quickly too far should be appreciated. The flip side of too strong a state is too strong a civil society, and as Post and Rosenblum argue, push "the boundary too far in the direction of civil society, and government can collapse into anarchic disorder."[12] Given the difficulties neighboring countries, such as Kyrgyzstan, have had in embracing a greater amount of pluralism, there is much that resonates with the population in ensuring a strong state and social stability. However continuing self-censorship, fuelled by an intolerance of dissent, means that there is a long way to go before there is an informed debate within civil society on these issues.

Postscript

The parliamentary elections which took place two years later in late 2009 are beyond the scope of this article, but broadly echo the trends in the 2007 Presidential elections. This time, the role of the "civil society" player passed from initiative groups to the "Ecological Movement of Uzbekistan" which was founded only in 2008 and, through a change in the election law in 2009, granted automatically 15 of the 150 seats in the lower house of parliament[13]. The movement, whose members can be individuals or NGOs, has as its focus the "consolidation of society's efforts in addressing the underlying environmental challenges facing the country"[14]. Consolidation seems to be the key concept again, with civil society being represented by one movement and this time with a clear steer in terms of civil society's agenda. The official line has become that environmental problems are external in origin with Tajikistan largely to blame, hence the tolerance and active encouragement of public protests against neighboring countries use of water and the Tajikistan Aluminum Plant in particular[15], protests that would never be tolerated if targeted at the Government of Uzbekistan's own environmental policies.

[12] Post and Rosenblum, "Introduction," pp. 10-11.
[13] Central Election Commission of the Republic of Uzbekistan, "Ecological Movement of Uzbekistan," *elections.uz,* no date.
[14] Ecological Movement of Uzbekistan, "Activity: Ecological Movement of Uzbekistan marks one year of its activity," *eco.uz*, August 15, 2009.
[15] Ferghana.ru, "What is the true purpose of the anti-Tajik protests in Uzbekistan?" *ferghana.ru,* April 2, 2010.

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The Afghan Issue in the Politics of Eurasian Great Powers: Russia, China, India and Iran

Alexander Knyazev[*]

Introduction

For the main Eurasian great powers, Russia, China, India, and Iran, the Afghan issue has become an increasingly significant element of their foreign policy, power projection and mutual relations. Indeed, the difficulties in stabilizing Afghanistan after three decades of uninterrupted conflict and the involvement of the U.S.-led international coalition has had a strong impact on its surrounding areas, namely, Central Asia, Xinjiang, Baluchistan and Kashmir. It has also affected the balance-of-power relations in Eurasia. A growing informal economy across the region, mainly in the form of drug trafficking, is also argued as one of the major long-term issue. Today there is growing recognition that the Afghan problem requires a concerted regional effort. This could give a more prominent role to the Shanghai Cooperation Organization.

The "Afghan Taliban": A Multiplicity of Actors

The current complex situation faced by the U.S.-led coalition forces in Afghanistan can be partly explained by the difficulties the international community has in identifying which kind of conflict they are faced with in Afghanistan. One must question whether the enemies are "terrorists" reacting to the U.S. war on terror; Afghan resistance against foreign occupation; or a kind of intra-Afghan civil war.[1] When analyzing the structure of groups struggling against the Kabul government and the international coalition, it is possible to allocate, more than fifty types of formations, with very diverse motivations, that can schematically be classified in four main categories.

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[*] Alexander Knyazev is Research fellow at the Institute for CIS countries and Director of the Alexander Knyazev Public Foundation, Bishkek, Kyrgyzstan.

[1] Alexander Knyazev, "Talibany vozvrashchaiutsia [Talibans are Back], *Mezhdunarodnye protsessy* [International Trends]," Moscow, 7, 1 (19) January-April, 2009, <http://www.intertrends.ru/nineteenth/014.htm> (November 22, 2009).

The first formation comprises of international groups. These groups include mostly foreigners such as Arabs, Pakistani nationals, Indonesians, Malaysians, natives of Bangladesh, Chechens, Uyghurs, Uzbeks and Tajiks. They are ruled and financed by radical structures having either a Pakistani, an Arabian or transnational origin, and are more or less directly linked to Al-Qaeda. Many of these insurgents have experienced war and terrorist activities in Nagornyi-Karabagh, in the former Yugoslavia, in the North Caucasus, Kashmir, Iraq, or Africa. A second formation includes some Pushtun groups that are connected with the same foreign and international organizations and receive financing from them. Even if they benefit from this material support coming from abroad, they sometimes deny the legitimacy of their international benefactors, and would like to have more autonomy in their own fights. The third one consists of Pushtun groups that are struggling for intra-Afghan reasons. Some of these groups are partly financed from outside Afghanistan, mainly by Pakistani clerical and military circles; others support themselves mainly through revenue from drug-trafficking. These groups are critical toward the idea of an international jihad and are completely involved in local stakes depending on their regional and sub-ethnic identities. The fourth group is made up of people from diverse ethnic origins, fighting for intra-Afghan issues. These combatants have a powerful social basis in the region they are based, and finance their struggle almost exclusively through drug trafficking incomes.

The diversity of actors has complicated the picture of the phenomenon called "The Taliban." From the four designated categories, the first two are not very important in quantitative terms. The third and the fourth groups on the other hand have the most powerful and numerous social bases among Afghan society. In the first half of the 1990s, a considerable part of the population saw in the Taliban movement a factor of stability, integration and justice after the years of Soviet occupation and civil war. Today, owing to the growing disappointment in Hamid Karzai's administration, the third and fourth groups continue to benefit from a support among a large part of the Afghan population, at least in the Pushtun regions, even if their alliance with foreign fighters can be considered problematic.

The Eurasian Great Powers Facing the Afghan question

A significant question which must be addressed when analyzing the complex internal structure of the Afghan question is the position of the main Eurasian great powers. This section discusses the interest of these powers vis-à-vis Afghanistan.

The Afghan problem concerns the Chinese government on three bases. First, an international coalition led by the United States is now

based on the western and southwest borders of China. As a result, Beijing is keen to stress the non-interference principle, fearing that the presence of the coalition forces could eventually lead to foreign interference in Xinjiang and Tibet. Second, the Chinese government considers links between Uyghur separatists in Xinjiang and Islamic groups in Afghanistan as a threat. Beijing regards such linkages as a typical example of a long-term ethno-confessional and socio-political conflict that could potentially destabilize the Chinese quest for internal stability. Third, China is interested in Afghanistan as a zone of investment and a potential market for Chinese products and infrastructure projects.

Russia meanwhile has kept a relatively low profile on the Afghanistan issue. This is partly due to the presence of US forces in the country, but the main reason is because Moscow does not have its own Afghan agenda. The Kremlin is convinced that the U.S. intends to use their military presence in Afghanistan to achieve their own geopolitical objective to control the "Heartland," especially in Central Asia. At the same time, Russia is benefiting from the international coalition's efforts to neutralize the Taliban threat; since this reduces the risk of Taliban expansion into Central Asia and Russia.

The Russian leaders themselves are therefore extremely divided over Moscow's strategy towards the U.S.-led military campaign in Afghanistan. Russia is particularly concerned that victory by the U.S.-led coalition forces would enable NATO to establish a permanent foothold in Afghanistan, which is located between Russia, China, India, and Iran. However, Russia also cannot remain indifferent to the possibility of the coalition's failure, since this would oblige Moscow and its neighbors to become involved so as to contain potential destabilization spreading from Afghanistan.

Iran has always considered Afghanistan as a zone of national interest. However, the geopolitical situation of Tehran, especially with the U.S. embargo and the tensions related to its nuclear program, limits its room for maneuver. The Iranian government worries about the presence of U.S. troops near its border. The Guyom al-Mohammad air base, near Birdzhand in Southern Khurasan, has for instance deployed a modern radar system to monitor U.S. activities. The Iranian strategy toward Afghanistan is three pronged: first, to strengthen its influence over the western Afghan provinces; second, to search for potential allies to counter Western influences in Afghanistan; and third, to create a buffer zone along the Iran-Afghan border for its own security, especially against the drug trafficking.

Tehran has two channels of influence. First, the Shi'ite community in Afghanistan composed of Hazaras and other ethnic minorities. They represent only one and a half to two million persons but are settled in very specific regions. The main group of Hazaras is living compactly in

the Bamian province, in the centre of the country. Large groups are dispersed in the Balkh, Baghlan, Farokh, Qandahar, and Kabul provinces. Potentially, these Shi'ite communities could be mobilized by Iran. The second channel of influence is the Tajik population. In the 1990s, Tehran and Moscow were the main allies of the Northern Alliance. As mentioned by the Iranian expert Mehdi Sanai, "Iran treats with understanding the preservation of Russian leadership in region, recognizing that only a strong Russia can guarantee the different countries' balance interests' maintenance in Central Asia."[2]

India, despite being the fifth largest bilateral donor of civilian assistance to Afghanistan, has little political appetite to get too involved in Afghanistan's problems. New Delhi supported the Bonn agreements in 2001, and is involved in economic and social reconstruction projects in the country. Indian national interests are related with a definitive settlement of its conflictual relations both with China and Pakistan. Moreover, India remains a very modest player in Central Asia, especially at the economic level, compared not only to China, Russia, Iran and Turkey, but also Pakistan, and the Arabian countries. The Trans-Afghan gas pipeline (Turkmenistan-Afghanistan-Pakistan-India) could help enhance India's energy security, though this proposal remains at the discussion stage and has an uncertain future.

Reasserting the SCO Role in Afghanistan

Whereas each Eurasian power has a relatively modest role in Afghanistan and has no solution to propose at the bilateral level, the combined potential of these countries could be used to accelerate the reconstruction of Afghanistan. All of them are full members (Russia, China) or have Observer status (Iran, India) of the Shanghai Cooperation Organization, which also include two Central Asia states bordering Afghanistan (Uzbekistan and Tajikistan). The SCO could therefore become a new mechanism for international relations regulation in Eurasia. Like the 1975 Helsinki accord, the SCO could contribute in building, on an institutional level, the regional security of Central Eurasia, with the participation of all the Eurasian great powers, Russia, China, India and Iran.

For the moment, the SCO's policy toward Kabul is not conceptually orientated. Even the Russian government, which initiated the SCO-Afghanistan bilateral commission, does not have any program of concrete actions. Cooperation with NATO only has a passive character, namely focused on the transportation of cargoes, granting of secret information, etc. Kazakhstan is the only SCO member that is actively cooperating

[2] Mehdi Sanai, "Dialog tsivilizatsii i islamskii factor [Dialogue of Civilizations and The Islamic Factor]," *Vestnik Evropy*, Moscow, 7-8 (2002).

with NATO in Afghanistan with the participation of its peacekeeping brigade, called the Kazbrig, which also served from August 2003 to October 2008 on a mission in Iraq as part of the Coalition Stabilization Force.

Moreover, the American's hesitant position in having Eurasian powers participate in the international coalition accentuates the complexity of the situation. Even if the White House is becoming more aware of the need to include the neighboring states in solving the Afghan issue, the United States remains wary towards any group, even informal, in which the decisions taken by NATO would be subject to agreement with Moscow, Beijing and Tehran. The refusal of the Uzbek proposal to transform the former 6+2[3] contact group that first initiated negotiations with both the Northern Alliance as well as the Taliban between 1997 and 1999 into a 6+3 group (with NATO) is an example of this hesitant position. Yet, it is probable that the international coalition has everything to gain in involving more actively the Eurasian powers and the Central Asian neighbors.

Conclusion

Whereas anti-Western sentiments are growing among the Afghan society, the memory of the Soviet-Russian past has become more positive; the attitude toward China remains traditionally neutral; and India is regarded very positively by the general Afghan population. This context could provide a more favorable atmosphere for the SCO countries to become involved in Afghanistan. However the main obstacles for SCO high-level connection to the Afghan issue are the absence of a coordinated approach. The SCO does not provide any collective vision of the world, and is for the moment unable to articulate a pragmatic involvement in Afghanistan, for instance, in creating collective peacekeeping brigades. This could have a symbolic function, like the Kazbrig in Iraq. However, it would signal the transforming of the SCO into a real collective actor. Resolving the Afghan issue could therefore become the central point of functioning of the organization, and provide greater meaning to the continued existence of the SCO.

[3] This group united the six countries bordering Afghanistan (Iran, China, Pakistan, Tajikistan, Turkmenistan, Uzbekistan) as well as Russia and the United States.

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Reassessing a "New Great Game" between India and China in Central Asia

Jen-kun Fu[*]

Introduction

Evoked with the British-Russian rivalry in the 19th century in mind, the "New Great Game" currently raises questions of who would fight for the power vacuum in Central Asia left over by the dissolved Soviet Union, and for what purposeful interests. The "New Great Game" has three major players, namely, the United States, Russia, China, and more modest actors, such as India and Iran. The future of Central Asian countries depend partly on compromise between the U.S. and Russia which is almost analogous to the 1907 agreement between Tsarist Russia and Great Britain.[1]

The short-term impetus for it was actually the 9/11 attack on U.S. soil and the subsequent American led military operation in Afghanistan, which intensified the interests of great powers towards Central Asia. The current growing Chinese presence in the region and the "Look-North" policy of India call for the assessment of a possible future "Great Game" involving both Beijing and New Delhi. Competition between China and India does not appear to be inevitable as both countries are now concentrating on growing their own respective economies. As a result, it is possible that they decide to strengthen their cooperation to develop and explore the Central Asian energy market.

Central Asia as a Geopolitical Theater for Big Powers

Geopolitics is a special type of interaction between geography and politics. It is about the implementation of a state strategy by identifying the most advantageous terms, and creating the most favorable

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[1] Boris Eisenbaum, "Novaia Bol'shaia Igra v Srednei Azii" [New Great Game in Central Asia], *Centraziia*, April 19, 2006, <http://www.centrasia.ru/newsA.php4?st=1113884460>, (March 5, 2008).

atmosphere, in order to preserve the highest level of state interests while ensuring minimum losses.[2] Four elements are essential, namely, politics, economics, geographical location and ideology. Together, they constitute a social structure prism for the analysis of political phenomena. The main requisite to ensure stability and durability is by mutual coordination with these elements as core. If these elements are in sync, stability will ensue. If not, it could, in the worse case scenario, lead to an irreversible process whereby the whole structure would be reorganized.[3]

The sudden deployment and withdrawal of American forces from Central Asia after 9/11 has destabilized the balanced-of-power in the region. Both Russia and China worry about America's possible intrusion into the Chechen and the East Turkistan irredentist movements. As a result, Russia further intensified its military contacts with Central Asian countries, and in 2003, Moscow deployed its own military forces at Kant Air Base in Kyrgyzstan. Meanwhile, China has strengthened its connection with Central Asia. Through the development of the Shanghai Cooperation Organization (SCO), Beijing has actively sought to develop good and friendly relations with its Central Asian neighbors. During the 2005 SCO Summit in Astana, the SCO leaders called on the U.S. to set a time-table for the withdrawal of US military forces from Central Asia.

China's interests towards Central Asia are mainly concentrated in four areas: maintaining stable and peaceful borders with Russia and Central Asian states; preventing international linkages between separatist forces in Xinjiang and outside Islamic extremist groups. The increasing need to secure access to Central Asian energy resources; and lastly, extending its influence in economic and even political terms beyond this region, so as to get a better geopolitical position. With China's rapidly growing energy demands and petroleum imports, Central Asia has become increasingly important to it for energy security.

For India, Central Asia is an important security element in its relationship with Pakistan, and in the stabilization of Afghanistan. Possible threats from Islamic extremist groups could also invigorate elements active in Kashmir. In regard to the balance-of-power among the great powers in the Central Asian region, India has to restructure the India-Russia partnership, remain alert to China's Central Asian penetration, forge a cooperation framework with the United States, and address its historical rivalry with Pakistan.

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[2] Jen Kun Fu, *Geopolitika Kazakhstana: Mezhdu proshlym i budushchim* [Geopolitics of Kazakhstan: Past and Future] (Almaty: Zhety Zhargy, 2000), p. 32.

[3] Jen Kun Fu, *Metodologia Politicheskoi Nauki* [Methodology of Political Science: New Geopolitics], (Almaty: Center of Comparative Regional Studies, 2000), pp. 47-58.

Chinese and Indian Energy Policy in Central Asia

China has become the second largest petroleum consumer of the world since 2004 and the Central Asian petroleum resources would enable Beijing to reduce its dependence on the Middle East. After several rounds of fiercely competitive bidding with Western and Indian oil companies for Kazakh oil, China's National Petroleum Corporation (CNPC) managed to secure a deal with the Kazakh government and in 2005 acquired PetroKazakhstan, from a Canadian company. Kazakhstan was reportedly initially wary of allowing a Chinese company to take over its strategic oil assets for fear that China could control its energy resources. CNPC eventually managed to reassure the Kazakh government, and acquired the company.

The deal has not only added to CNPC's existing stakes in Kazakhstan's petroleum sector, but also moved China into a better position to expand into other oil projects in the country and, ultimately, westwards into the Caspian Sea, with more geographical advantage and less political risk. At the time of writing, CNPC's last acquisition, MangistauMunayGas, was negotiated on an equal basis with KazMunayGas in spring 2009.[4] Another sector in which China has recently become very active is construction of gas pipelines transporting Central Asian gas into China: the Sino-Turkmen gas pipeline entered into service in December 2009. Although these project costs are significantly higher, China is basing its decisions on political, rather than economic calculations. The main priority has been to diversify its energy access routes as it seeks to secure overseas energy resources.

India's energy strategy in Central Asia remains modest compared to the Chinese. In 2009, after several years of discussions, ONGC-Mittal Energy (OMEL) eventually signed an agreement for the joint exploitation of the Satpayev offshore block, in the northern Caspian Sea, but the project still needs to be finalized. Turkmenistan has offered to do oil swaps involving both Iran and India and with possible Russian participation.[5] Since 2006 Gazprom plans to create a joint-venture with Iran to transfer and market gas to India.[6] In spite of these various agreements, India is not yet among the top ten countries involved in the exploitation of oil and gas resources in Central Asia. It will have difficulties finding a place on this list considering the already established

[4] "CNPC and KazMunayGas acquires 100% of MangistauMunaiGas shares", CNPC website, April 24, 2009, <http://www.cnpc.com.cn/en/press/newsreleases/CNPC andKazMunayGasacquires100ofMangistauMunaiGasshares.htm> (January 18, 2010).
[5] Northern Iran requires oil for development and Turkmenistan agrees to give Iran oil from Caspian in the north, expecting it to give India oil in the south.
[6] "Gazprom tianet truby v Indiiu iz Irana [Gazprom pulls drawn a pipeline from Iran to India]," *Kommersant*, June 17, 2006.

involvement of Russian and Western companies, and the Chinese stakes in this area.

With regards to trade, some Indian commodities, such as tea, pharmaceuticals and fine chemicals, have established a foothold in the Central Asian market.[7] However, the Indian government has been experiencing difficulties in creating a secure environment for Indian companies to enter the Central Asian market. Meanwhile, India has been trying to improve connectivity between South and Central Asia. New Delhi, Moscow and Tehran signed an agreement in St. Petersburg in 2000 to send Indian cargo to Russia through a North-South corridor. Indian goods can now be sent from Mumbai or Okha to the Iranian hub of Bandar Abbas via the Hormuz Strait in the Persian Gulf. From here, containers are reloaded on trucks or railway wagons and dispatched to the Iranian port of Anzali on the Caspian Sea. From Astrakhan, trucks can further head to European destinations because of the availability of a well-developed road and rail network.

Strategic Implications for the "New Great Game"

Peace and stability in post-Soviet Central Asia and Afghanistan seem to be one of the most crucial factors for India's security. In Central Asia, the race for military bases for countering terrorism, and the regime change experiments through "color revolutions" have added a new dimension to the "New Great Game". Analysts have in the past felt that the real competition was between U.S. and Russia. However in the 2000s, China has created a huge profile for itself in the region through trade, energy deals, military cooperation, and the Shanghai Cooperation Organization. In the years to come, India will be expected to play a role as a regional balancer in the backdrop of this increasing Chinese penetration, and declining Russian presence.

The recent promotion of the Trans-Caspian Pipeline supported by both the U.S. and the EU has implications for other regional players. The U.S. actually has no ambition entirely to control the Caspian basin. Their core interest is to control the oil transportation routes, in particular, the promotion of pipelines that bypass Russia and Iran, so as to reduce the two's regional influence. The final aim of the U.S. is to establish democratic societies and states in Central Asia, and to support U.S. friendly regimes in the backyard of Russia and China as a means to counter-balance these two great powers in the Eurasian continent. Within this context, the U.S. and EU are likely to welcome greater Indian presence in Central Asia because they regard India as a

[7] Muhammad Azhar, "The Emerging Trade Relation Between India and Central Asia" in Shams-ud-din, *Nationalism in Russia and Central Asian Republics* (New Delhi: Lancer Books, 1999), p. 329.

democratic ally. Meanwhile, the Central Asian leaders are less wary of India because New Delhi has never expressed any desire to exports its own democratic ideals abroad.

China's recent activities in Central Asian energy resources certainly increased Moscow's anxiety; however their relations are for the moment more cooperative than competitive. Both Moscow and Beijing share the common interest in reducing U.S. influence in the region. The political maneuvering between these great powers is likely to continue until a new balance is achieved. Currently, the main actors that benefit the most from this "New Great Game" are the political regimes in Kazakhstan, Turkmenistan, and Uzbekistan. By pursuing multi-vectored policies, these Central Asian states are using such rivalry as a means to maximize their own benefits and interests, and reduce over-dependence on any particular great power. This is most visible in the multi-pipeline strategy touted by these Central Asian states; as such a diversification strategy would provide them with greater space for maneuvering between great powers, thereby ensuring regime survival and state autonomy. In the years to come, the Central Asian states are likely to seek better relations with India, not only for economic purposes, but as a means to diversify security relations so that India could act as an additional geopolitical counterweight within the region.

Conclusion

Local actors such as Kazakhstan, Uzbekistan, and Turkmenistan have managed to capitalize on the existing great power competition for their own benefit. These local leaders' pragmatic push to advance their own regime and national interests has certainly made Central Asian geopolitics more complex.

With their geographical proximity, Russia and China have better access to Central Asia and both have a common priority to reduce the U.S. influence in the region. They have supported local authoritarian regimes, and massively invested in energy sectors. Russian focus has mainly orientated towards Kazakhstan's gas so as to secure a monopoly for Gazprom over gas export to Europe - a very profitable activity - at very high expenses. China, meanwhile, has offered generous grants and financial aid to ensure its acquirement of oil in Kazakhstan and gas in Turkmenistan.

In the 2000s, the U.S., EU and India were the relatively weaker players in this "New Great Game". The bid by Washington and Brussels to promote democratic institutions in the region was interpreted as an attempt to undermine the current regimes; subsequently this has reduced their influence with the Central Asian leaders. As for India, it is thus far experiencing limited success in its attempt to promote its own

geopolitical and economic interests in the region. However, this author expects India's presence and influence in Central Asia to grow as potentially local leaders would eventually seek to use India as an additional counterweight in the region.

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The Fedayeen of the Reich: Muslims, Islam and Collaborationism During World War II

Bruno De Cordier[*]

ABSTRACT

From 1941 to 1945, between 372,000 and 445,000 men of Muslim background and primarily from Soviet Eurasia and the Balkans, served in Hitler's armies as combatants or as labour auxiliaries. This little-known page of war history is often used to discredit Islam and Muslims. But what were the actual sizes and causes of the phenomenon? This paper examines the circumstances and the proportions of wartime collaborationist movements among Muslims, and compared these to collaboration among non-Muslim groups in the territories and countries concerned. It thereby focuses on the cases of the Central Asian Turkestan Legion of the Wehrmacht and of the Bosnian Handschar division of the Waffen-SS.

Keywords • Balkans • collaborationism • Eastern Front • Handschar division • nationalism • Pan-Turkism • Stalinism • Third Reich • Turkestan Legion • World War II • Yugoslavia

"The battleline between good and evil runs through the heart of every man."
Alexander Solzhenitsyn

Introduction

Few may know that in the final months of World War II, up to a quarter of Germany's armed forces consisted of so-called "foreign volunteers" and that some of these had a Muslim background. In Southeastern

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[1] Antonio J. Munoz, et al., *The East came West. A Study of East European and Middle Eastern Collaboration with Nazi Germany in World War II* (New York: Axis Europa books, 2001), p. 61 and 233, and Lee J. Ready, *The Forgotten Axis: Germany's Partners and Foreign Volunteers in World War II* (Jefferson: McFarland and Co, 1987).

Europe, for instance, the Allies and the Communist partisans faced Bosnian Muslims and Uzbeks who fought under German command. During the Soviet siege of Berlin, remnants of an Arab paratrooper company and an anti-tank unit from the Northern Caucasus took part in the defence of the city, or what was left of it.[1] Long confined to military history, the presence of Muslim soldiers in the Reich's armies and the controversial role of pro-German Islamic leaders like the Grand Mufti of Jerusalem Al-Husseini are regularly raked up in certain circles to demonize Islam and Muslims.

Proponents of this line argue that the "Nazi-Muslim common cause" of anti-Semitism and a common predilection for world conquest and a totalitarianism (a Pan-Germanic Reich for the Nazis, a global Caliphate for the Islamists) did not disappeared with the defeat of Nazi Germany but is still overtly as well as covertly part of violent and intellectual forms of militant Islam.[2] As such, the ongoing War on Terror is seen as an equivalent to the war against Nazism and the containment of Communism. The purpose of this paper is not to look into the real and imagined similarities between "Islam" and "Fascism" or to dispute whether any active collaboration among Muslims took place or not.[3] Rather, its aim is to examine how widespread such collaboration was as compared to collaboration among non-Muslim groups, and what its causes and the circumstances were. The question that will be raised is if and to what extent these can be compared to the present situation.

The Map of the Islamic World on the Eve of World War II

How did the political map of the Islamic world look like during the inter-war period?[4] After a long period of decline, the Ottoman empire, the last inter-continental Islamic power that exerted control over much of North Africa, the Balkans and the Middle East at one time, had been abolished

[2] For an example, see Serge Trifković, "Islam's Nazi Connections", *Front Page Magazine*, December 5, 2002.

[3] For a critical discussion of the concept of "Islamo-Fascism", see Stefan Durand, "Fascisme, islam et grossiers amalgames. Un cadre idéologique pour la 'Troisième Guerre mondiale'? [Fascism, Islam and grotesque generalizations. An ideological framework for the 'Third World War'?]," *Le Monde diplomatique*, November 2006, <www.monde-diplomatique.fr/2006/11/durand/14115> (also available in English under the title "The Lie that is 'Islamofascism'", <mondediplo.com/2006/11/05islamofascism>) (March 10, 2010).

[4] General overview maps can be found in Philippe Rekacewicz, *Le hold-up colonial* [The colonial robbery], Atlas du Monde diplomatique 2003 (Paris: Armand Collin, 2003), p. 23 and Jean Sellier and André Sellier, *Atlas des peuples d'Orient* [Atlas of the peoples of the East] (Paris: La Découverte, 1993), p. 41. For a concise discussion of the global position the the Islamic world, see David K. Fieldhouse, *Western Imperialism in the Middle East* (Oxford: Oxford University Press, 2006), and Paul Kennedy, *The Rise and Fall of Great Powers. Economic Change and Military Conflict from 1500 to 2000* (London: Fontana Press, 1989), pp. 10-14, and pp. 355-446 for the dynamics of the inter-war international order.

in 1922. One and a half decades later, the map of the Islamic world showed only a half a dozen of independent states which, with the exception of Turkey, were all ruled by monarchies. The rest were either colonies, protectorates or mandate territories of Britain, France and Italy, often ruled in conjunction with co-opted local and traditional elites. Several majority Muslim states that had formal independence (Iran, Iraq and Arabia) were subject to strong political jockeying by the European powers (and in the case of Iran also the Soviet Union) and oil companies or had foreign military bases on their territory (Iraq). The Muslims of Eurasia and the Balkans were largely incorporated in the Soviet Union and the then kingdom of Yugoslavia, both states dominated by non-Muslims. Albania, the only independent Muslim majority state in the Balkans, became a protectorate of Fascist Italy in 1939.

Europe's cities had no sizeable and established Muslim immigrant communities yet. The small Muslim communities in Europe consisted either of diplomats, business people, Middle Eastern nobility with European residences or political exiles from the Balkans and Eurasia.[5] Nazi Germany, for its part, had no colonial possessions nor any protectorates or mandate territories in the Islamic world but did had strong economic ties with Iran. It also tried to strengthen its diplomatic and ideological influence in Turkey and on nationalist circles, part of which sympathised with European Fascism, in Iran and Iraq. The strongest ties between the Third Reich and Iran were not under a religious regime similar to Iran's current regime, but existed under the secular rule of the pro-German Shah Reza Pahlavi I. In 1936 and 1937, Germany was Iran's largest trade partner. The Nazis also hoped to capitalize on the anti-British climate among Iran's population and on the ideological sympathies for Fascism and the Aryan race cult that existed among some of the Iranian military, intelligentsia and in the entourage of the Shah.[6]

European colonial policies, including the co-optation of and support for unpopular local rulers or religious minorities like Christians, and the foreign grip over foreign policy and key economic sectors like oil were resented by part of the population and opinion leaders in the Arab

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[5] For an examination of Islam and Muslims in inter-war Europe, see Nathalie Clayer and Eric Germain, *Islam in Inter-War Europe* (New York: Colombia University Press, 2008).
[6] Jean-Pierre Digard, Bernard Hourcade and Yann Richard, *L'Iran au vingtième siècle* [Iran in the twentieth century], (Paris: Fayard, 1996), pp. 93-94 and Antoine Fleury, *La pénétration allemande au Moyen-Orient 1919-1939. Les cas de la Turquie, de l'Iran et de l'Afghanistan* [German penetration in the Middle East, 1919-1939. the cases of Turkey, Afghanistan and Iran], Collection de Relations internationales (Geneva: Institut Universitiare de Hautes Etudes Internationales, 1977), pp. 93-94 and 213-226, Peter Wien, *Iraqi Arab Nationalism: Authoritarian, Totalitarian and Pro-Fascist Inclinations, 1932-1941* (London: Routledge, 2006) and Wolfgang Schwanitz, *Germany and the Middle East, 1871-1945* (Princeton: Princeton University Press, 2004), pp. 181-216.

countries and in Iran. In the USSR, Stalin's collectivisation campaigns and purges had heavily affected Muslim as well as non-Muslim societies of Eurasia. In several states, colonies and protectorates, anti-colonial, nationalist (Pan-Arab nationalism[7], Iranian nationalism) or reformist movements were active to one or another degree. During the early inter-war years years a number of reformist and autonomist movements in Eurasia (the Azerbaijan Democratic Republic, the Kokand Autonomy, the Alash Orda movement and the Tatar and Turkestani Jadids) had been quashed by the Bolsheviks.[8] These movements were predominantly nationalist and secular and not Pan-Islamist or Salafist. The latter currents did not have the real or perceived political weight and impact that they have today. The discontent and colliding interests caused by direct and proxy colonialism, active as well as suppressed anti-colonial or anti-Stalinist movements, the presence of political exiles from Eurasia in Europe and the run of military events during World War II would show crucial for the emergence of Muslim military collaboration with Nazi Gemany.

How Widespread was Collaboration Among Muslims?

A Look at the Numbers

According to various sources and estimates, between 1941 and 1945, from 372,000 to 445,000 (18 to 22 percent) of the some 2 million men who served in various labour brigades, transport and guarding units, or one of the ethnic and national divisions that were set up by the Reich for volunteers in the occupied territories were Muslims or at least of Muslim background and tradition.[9] Meanwhile, the armies of the Reich and its allies never annexed or occupied large portions of the wider Islamic world or areas inhabited my Muslim populations, with the exception of the Balkans, the Crimean peninsula, the North Caucasian piedmont, as well as a portion of North Africa during the campaigns of Tobruk and El-Alamein. The Reich actively supported the nationalist coup d'état of Rashid Al-Gailani against the pro-British monarchy in Baghdad in 1941.

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[7] Aviel Roshwald, *Ethnic Nationalism and the Fall of Empires: Central Europe, Russia, and the Middle East, 1914-1923* (London and New York: Routledge), pp. 105-115 and 207-217.

[8] A. Ahat Andican, *Turkestan Struggle Abroad. From Jadidism to Independence* (Haarlem: SOTA Publications, 2007), pp. 23-150; Olivier Roy, *La nouvelle Asie centrale, ou la fabrication des nations* [The new Central Asia, or the fabrication of nations] (Paris, Editions du Seuil, 1997), pp. 75-82; Jacob M. Landau, *Pan-Turkism. From Irrendentism to Cooperation* (London: Hurst, 1995), pp. 15-21; and Fazal Ur-Rahman Khan Marwat, *The Basmachi Movement in Soviet Central Asia. A Study in Political Development* (Peshawar: Emjay Books International, 185), pp. 24-57.

[9] Oleg Romanko, *Musulmanskie legioni vo Vtoroi mirovoi voine* [Muslim legions during the Second World War] (Moscow: Transitkniga, 2004), p. 64.

It maintained good contacts with pro-German circles in Iran until the Shah was deposed and the country - too strategic because of the oil, its capacity of transport corridor for Anglo-American aid to the USSR and bordering as it did on British India - came under joint British-Soviet occupation.

Generally speaking, two forms of military collaboration were observed among war prisoners and civilians during the war in the occupied territories and frontline areas. The first involved so-called Hilfswillige (voluntary auxiliaries) who were engaged in labour and transport brigades, intelligence services and surveillance and police units. The second involved voluntary implication in combat and counter-insurgency operations in one of the national divisions of the Wehrmacht or the SS or in militias and vigilantes associated with them.[10] In many cases, the line between voluntary and semi-coerced collaboration and was not clear. This was especially the case among prisoners of war who received remarkably better treatment in exchange for cooperation.

The question arises as to how widespread military collaboration among Muslims was during World War II and in which areas and among which groups it happened the most. It is not easy to obtain accurate and consistent statistics on the number of men who fought or worked for the Reich in one capacity or another. Sometimes, the figures brought forward by the various authors and historians match, while in other cases, they show wide differences. The reasons for that include the chaotic circumstances at the Eastern Front, the fact that the recruitment of auxiliaries was often done at the initiative of individual German commanders rather than the central command. The frequent and sometimes shady reorganisations of the various units with Muslims, as well as the ideological bias and taboos that long cast a shadow over post-war research and discourse on the subject further blurred the lines.

If we base the study on the literature that contains statistical overviews, the picture looks as follows in Table 1.[11]

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[10] Alexander R. Alexiev, *Soviet Nationalities in German Wartime History*, Rand Corporation Document No. R-2772-NA (Santa Monica: The Rand Corporation, 1982), p. vi.

[11] Table compiled by the author. The sources consulted for this table and graphic include Oleg Romanko, *Musulmanskie legioni vo Vtoroi mirovoi voine*, *op. cit.*, Annex I-Table 2; Alexander R. Alexiev, *Soviet Nationalities in German Wartime History* , *op. cit.*, p. 33; A. Ahat Andican, *Turkestan Struggle Abroad. From Jadidism to Independence*, *op. cit.*, p. 477; Jonathan Trigg, *Hitler's Jihadis. Muslim Volunteers in the Waffen-SS* (Stroud: The History Press, 2008), pp. 69-158; and Antonio J. Munoz, *The East came West. A Study of East European and Middle Eastern Collaboration with Nazi Germany in World War II* (New York: Axis Europa books, 2001), Appendix B, p. 307. Note that throughout this paper, the term "Caucasian" is used to designate people belonging to ethnic groups from the Caucasus and not in its modern American sense (i.e. people of white race).

Table 1: Number of soldiers of Muslim background in the armed forces of the Third Reich or associated units (1941-45)

Origin	Numbers of men enlisted (approx.)[a]	
	In the Wehrmacht[1]	In the Waffen-SS[1]
Soviet Muslims		
"Turkestani" (Central-Asians including Tajiks and Uighurs)	178,000*	2,000
Azerbaijani Turks	24,000 to 34,000*	1,000
North Caucasians	27,400 to 29,400	600
Crimean Tatars	12,600 to 17,600*	2,400
Volga-Ural Tatars	38,000*	2,000
Subtotal for Soviet Muslims	*280,000 to 297,000*	*8,000*
Balkan Muslims		
Albanians (Kosovo, Metohija, Western Macedonia and Albania proper)	57,000 to 62,000**	3,000
Slavic Muslims (Bosnia and Sanjak)	35,000 to 40,000	20,000 to 23,000
Subtotal for Balkan Muslims	*92,000 to 102,000*	*23,000 to 26,000*
Others		
Arabs and North African Berbers	5,000 to 6,000°	—
"Hindustani" (Indian Muslims, Sikhs and Hindus)	3,000	2,300
Subtotal for Others	*8,000 to 9,000*	*2,300*

Important remarks

[a] These figures include combat units, auxiliary police as well as non-combatant labour brigades and reflect the maximal strength of the units involved. It must be noted though, that not all men in units created for Muslim peoples were effectively of Muslim background. The bulk of their senior officers and technical cadres were Germans, either from the Reich, Volksdeutsche (ethnic Germans) from Yugoslavia or, in some cases, Germans who had served with the Foreign Legion. The geographic and ethnic base of the units was also not homogenically Muslim. The İdel-Ural Legion that was created for Muslim Tatars and Bashkirs, for example, also included members of (nominally) Christian and pagan Volga-Ural peoples like Chuvash and Udmurts. Two-thirds of the rank-and-file of the Azad Hind (free India) legion were Muslims and the rest Sikhs and Hindus. Likewise, 5 to 7 percent of the (ethnic) Albanian soldiers or militia

members engaged were Christian.

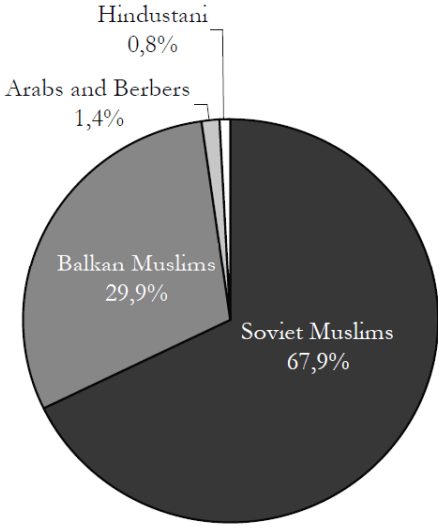
[1] In some cases the figures partly overlap because of the personnel transfer from Wehrmacht to SS units in the latter war years.

* Others sources put the number of Turkestani at some 70,000, Azerbaijani Turks at 40,000, Volga-Ural Tatars at 12,500 and Crimean Tatars at 10,000. Sergey Drobyazko and Andrey Karashchuk, *Vtoraya mirovaya voina 1939-1945. Vostochnye legioni i kazachi chasti v Vermakhte* [World War II, 1939-1945. The Eastern Legions and Cossack units in the Wehrmacht] (Krasnoyarsk: AST-OPT Kniga, 2000), p. 2.

** Inclucing tribal vigilantes and auxiliaries associated with, but not part of, formal Wehrmacht and SS units and detached units of the armed forces of the Albanian Protectorate.

° The figures include volunteer units like and the Legion Freies Arabien, the Sonderverbande No. 287 and 288, the Algerian Phalange africaine and Sonderstab "F" who all supported the Afrikakorps during its North African campaign , but do not include the native North African soldiers of the Vichy regime's colonial armies and police in French North Africa.

Figure 1: Percentual breakdown of the origin of Muslims in the armed forces of the Reich or associated units (1941-45)[12]



The above figures show clearly that, contrary to popular belief, the near-totality of Muslims who were involved in some form of military collaboration with the Reich were not Arabs nor from the "classical" Islamic world for that matter, but rather from its periphery: Eurasia and the Balkans. Numerically, Arabs and Muslims from the Subcontinent were marginal although the psychological and political importance of

[12] Figure created by the author based on Table 1.

these units and their ideological mentors go beyond their limited numbers.[13] As can be seen from the graphs, the vast majority of soldiers and the rank-and-file staff of Muslim units in, or connected to, the Wehrmacht and the SS belonged to the various Turkic peoples of the Soviet Union or were Albanian and Slavic Muslims from Yugoslavia.

How does this relates to the military collaboration among Christian and other non-Muslim groups in and from the respective areas? Of a total of some 2 million non-German collaborators, some 1.4 million were believed to be from the Soviet Union. Among these, Soviet Muslims who consituted 8.7 percent the Soviet Union's population of 170.6 million in 1939[14], formed between 17 and 21 percent.[15] A more detailed breakdown of the number of men in collaborationist units among the Soviet Union's main ethnic and confessional groups comes in the following graphic. [16]

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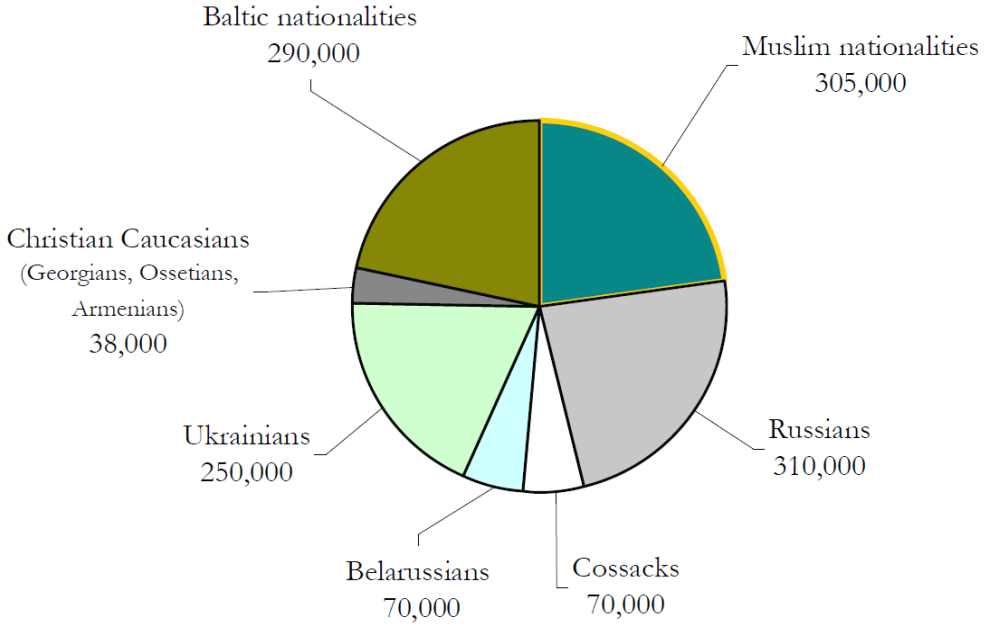
[13] The Arabs and Hindustani who joined German(-officered) units were largely recruited among POWs serving with the British and French colonial armies during the North African campaign between February 1941 and May 1943, but recruitment came to a halt after Rommel's defeat at El-Alamein and the capitulation of the Afrikakorps. Their leaders were ideologically Pan-Arabists and Indian nationalists. During the North African campaign, the Afrikakorps and other Axis troops captured some 17,000 Hindustani soldiers. Because of the colonial British concept of so-called martial races on which the military recruitment policies were based, 37.5 percent of the British Indian army in 1940 consisted of Muslims (against a share of a quarter of the overall population), 37.6 of Hindus, 12.8 of Sikhs and 10.9 percent of Gurkhas. Noor A. Hussain, "The Role of Muslim 'Martial Races' of Today's Pakistan in British-Indian Army in World War II," *Defence Journal*, 1999, <defencejournal.com/sept99/martial-races.htm> (March 10, 2010); and Jean-François Borsarello and Werner Palinckx, *Wehrmacht and SS: Caucasian, Muslim and Asian Troops* (Bayeux: Heimdal, 2007), pp. 81-83.

[14] Roland Pressat, "Pertes subies par la population de l'URSS 1918-1958 [Population losses in the USSR, 1918-1958]," *Population*, 34, 6 (1979): 1151. The rates given for 1926 are 11.7 percent of a total Soviet population of 147 million and for 1959 11.6 percent of 208.82 million. Alexandre Bennigsen and Enders S. Wimbush, *Muslims of the Soviet Empire. A Guide* (London: Hurst and Co, 1985), p. 24.

[15] Among Hindustani and Arabs, the share of Mulims in the units concerned was about 65 and 100 percent respectively. Oleg Romanko, *Musulmanskie legioni vo Vtoroi mirovoi voine*, *op. cit.*, p. 228; Jonathan Trigg, *Hitler's Jihadis. Muslim Volunteers in the Waffen-SS*, *op. cit.*, p. 183 and 188; and Antonio J. Munoz, *The East came West. A Study of East European and Middle Eastern Collaboration with Nazi Germany in World War II*, *op. cit.*, Appendix B, p. 307.

[16] Figure created by the author on the bases of Table 1 and on data in Andrey Karashchuk and Sergey Drobyazko, *Vostochnie dobrovoltsi v Vermakhte, politsii i SS* , *op. cit.*, p. 6; and Sergey Chuyev, *Proklyatie soldaty. Predateli na storone III. Reiha* [Doomed soldiers. Turncoats on the side of the Third Reich] (Moscow: Eksmo, 2004), p. 52. The figure for the Baltics also include the regular armed forces of the vassal governments in the Reischkommisariat Ostland, the Nazi dominion that was established in a large part of the Baltics as well as parts of Belarus (called Weißruthenien) in mid-July 1941.

Figure 2: Overview of the Soviet Union's Muslim and non-Muslim groups involved in military collaboration with Nazi Germany (1941-45, number of men)



In the Balkans, between 115,000 and 128,000 Muslim soldiers served at some stage in various Waffen-SS or Wehrmacht units or associated local militias. With and alleged protion of 42 percent, direct military collaboration was at first glance numerically higher among Muslims Albanians and Slavic Muslims from Bosnia than among Yugoslavia's non-Muslim groups.[17] However, this picture changes considerably if one takes into account the active collaborationist role played by the non-Muslim armed forces and paramilitary units of Axis' vassal states in the Yugoslav space: the Independent State of Croatia and its notorious Ustaša militia which had some 76,000 men at its zenith, and the Military Administration of Serbia of General Nedić whose state guard and paramilitary force numbered nearly 37,000 men.[18] Nonetheless, in both Soviet Eurasia and the Balkans, the percentage of Muslims involved in some form and degree of military collaboration was higher than their overall share in the population of the Soviet Union and Yugoslavia.

[17] Oleg Romanko, *Musulmanskie legioni vo Vtoroi mirovoi voine*, *op. cit.*, p. 228. According to the 1921 census, which was the first one to be held in the Kingdom of Yugoslavia and at once the last before World War II, Muslim Albanians formed 3.75 percent and Slavic and other Muslims 6.29 percent of the population, which brings the total portion of Muslims in the Yugoslav population at 10.04 percent and at about 11 percent in 1941. Youssef Courbage, "Les transitions démographiques des musulmans en Europe orientale [The demographic transitions among Muslims in Eastern Europe]," *Population*, 46, 3 (1991): 667.
[18] Noël Malcolm, *Bosnia: a Short History* (London: Macmillan, 1994), pp. 174-176; Jozo Tomasević, *War and Revolution in Yugoslavia, 1941-1945: Occupation and Collaboration* (Stanford: Stanford University Press, 2001), pp. 183 and 459.

There are three major circumstances, each with their specific push and pull factors, that explain the emergence of Muslim units in the German army. The first is the Reich's expansionist agenda in Central Europe and Eurasia. The second are the impact of the German invasion of the Soviet Union in June 1941 and the subsequent occupation of large portions of European Soviet territory. And the third was the presence of long-standing local and subregional conflicts that were not caused by Nazi Germany nor related to World War II but which were exacerbated by the war and became proxy frontlines between the Axis and the Allies. We will now discuss these and illustrate them with concrete examples relevant to the geographical scope of this journal: the Central Asian Turkestan Legion of the Wehrmacht and the Bosnian Handschar Division of the SS.

The Limits of Racism: Managing Imperial Overstretch

In early 1941, months before the outbreak of the German-Soviet war, the Reichsministerium für die besetzten Ostgebiete (Reich Ministry for the Occupied Eastern Territories, or Ostministerium) was set up to administer the occupied parts of the Baltics and the Soviet Union and coordinate the political-administrative reorganisation of the conquered territories once victory was a fact. Although the position and authority of the ministry and its wartime minister Alfred Rosenberg were contested and at times obstructed by competing centres of power in the Nazi and in the military hierarchy, it became instrumental in the realisation of Generalplan Ost (the general plan for the East), in fact a series of plans and scenarios that had already been prepared in 1939 and 1940.[19]

The occupation policies in the field constantly staggered between fanatical Germanic racism aimed at the enslavement or ethnic cleansing of most "inferior" non-Germanic populations - and indeed inspired much of the counterproductive rapacious behavior of the occupation forces in the USSR towards the civilian population and the prisoners of war - and a more pragmatic approach which found that military consolidation in and the sustainable administration of such a vast territory would be difficult without delegating parts of local government and security to sympathetic local regimes. According to the latter line, the Reich had to take advantage of local ethnic-national aspirations and of the resentment against Stalin's devastating pre-war annexation, collectivisation, purges and anti-religious policies to win the allegiance of the local population. In

[19] For more on the political dynamics behind the Ostministerium, see Constantin Graf Stamati, "Zur 'Kulturpolitik' des Ostministeriums [On the 'cultural policies' of the East Ministry]," *in Vierteljahrshefte für Zeitgeschichte* 6, 1 (1958): 78–85; Jonathan Trigg, *Hitler's Jihadis. Muslim Volunteers in the Waffen-SS*, *op. cit.*, pp. 28-28. For a detailed examination of the Generalplan Ost, see Helmut Heiber, "Der Generalplan Ost," *Vierteljahrshefte für Zeitgeschichte* 6, 3 (1958): 281–325.

some areas like the Baltics, Galicia, Belarus and the Northern Caucasus, parts of the population initially showed substantial goodwill towards the German invasion. This had to be used to drive a wedge between the Soviet people and the Stalinist regime.[20]

Although the Generalplan Ost contained a Germanic supremacist and colonialist agenda, it also reflected the more pragmatic view that was propagated by certain officers in the Wehrmacht and part of Rosenberg's entourage and advisors.[21] The plan's essence was the partition of the European part of the Soviet Union into a number of non-Russian ethnic entities around a non-Communist Russian rump state. Certain parts of the Western USSR, like Galicia and a slice of Weißruthenien (Belarus), were to be directly annexed as a Gau (province) into the Greater Reich. The bulk, was to be transformed in so-called Reichskommissariate, dominions that were not directly annexed to the Reich but which were scheduled for rapid integration in its economy, administered by a Nazi civilan administration in cooperation with sympathetic local groups and units, cleansed of Jews and Communism and colonised by ethnic Germans in designated areas.

Two Reichskommissariate existed partly between 1941 and 1944. The Reichskommissariat Ostland covered most of the present Baltic states as well as Weißruthenien (the Western part of what is now Belarus). This entity, already home to communities of Baltic Germans and historically part of the domain of the Teutonic Order, was to be an area of instensive German colonisation and resettlement. The Reichskomissariat Ukraine covered much of the area of present-day Ukraine minus Galicia (which was absorbed into the Reich) and Transnistria (which was annexed by Rumania, then an Axis ally). Its planned area after the war was to stretch all the way to Saratov on the Volga, without the lower Dniepr basin, Taurida and Crimea which were scheduled for intensive German colonisation and eventually direct annexation as a Gau in the Reich.[22]

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[20]Alexander R. Alexiev, *Soviet Nationalities in German Wartime History*, *op. cit.*, pp. 7-8; Dieter Pohl, *Die Herrschaft der Wehrmacht. Deutsche Militärbesatzung und einheimische Bevölkerung in der Sowjetunion 1941-1944* [Under Wehrmacht rule. German military occupation and the local population in the USSR] (Munich: Oldenbourg Wissenschaftsverlag, 2008), pp. 117-122 and 301. The Galicia mentioned here is the region around Lvov (Lemberg in German) in Western Ukraine (Galitsina), not its Spanish-Portuguese namesake.

[21] A strong advocate of this line was Abwehr colonel and scholar Oskar von Niedermayer (sometimes nicknamed "Germany's Lawrence of Arabia"), who had conducted intelligence operations in Afghanistan and Iran during World War I and worked on a plan to fan nationalist sentiments against the British in India. Between 1921 and 1932 he was also a military attaché in Moscow. See also Wolfgang Schwanitz, *Germany and the Middle East, 1871-1945, op. cit.*

[22] Helmut Heiber, "Der Generalplan Ost [The General Plan for the East]," *Vierteljahrshefte für Zeitgeschichte*, 6, 3 (1958): 289-292; Gerald Reitlinger, *The House Built on Sand: the Conflicts of German Policy in Russia, 1939-1945* (London: Weidenfeld and Nicolson,

Two other Reichskommissariate were planned but not realised. The Reichskommissariat Kaukasien (Caucasia) was to comprise the areas between the Don, the Black and Caspian seas including Astrakhan, and the entire Caucasus. It was not only one with a substantial Muslim population (i.e. Azerbaijani Turks and North Caucasians) but also one with important oil reserves around Baku and in the Northern Caspian. This dominion was designated as one where experiments were to be conducted with various forms of autonomy for "indigenous groups."[23] Finally, the Reichskommissariat Moskowien (Muscovy) was to be essentially a non-Communist Russian rump state in Northwestern Eurasia. This entity would also have an ethnic Muslim (Tatar and Bashkir) component in its population.[24] These would either be granted local autonomy, or be joined to a greater Turkestan.

The perspectives of imperial overstretch and the difficulties to govern large territories that would arise for the Reich without local support, theoretically opened a window of opportunity for one or another form of autonomy for the various Muslim and other non-Russian minorities on the Reich's planned frontiers. Beyond the Caspian and the European USSR, the planned or hoped-for collapse of the Stalinist regime thus opened a possibility for the creation of an independent Turkestan under a pro-German nationalist government. By mid-1942, the Reich's military overstretch was already severely felt with the high casualty rates in combat - by spring 1942, nine months after the invasion, these amounted to more than one million men or nearly one-third of the invading force - and the spreading of resources with the occupation of a large territory inhabited by 55 to 65 million people.[25] In occupied territory, the German

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1960). The reasoning behind the German settlement of the lower Dniepr, Taurida and Ukraine was that these territories were once the homeland of the Germanic Ostrogoths, although their strategic position near the Black Sea also played a role. For a view of the political map of Europa in case the Generalplan Ost had been realised, see the map *Die Utopie. Das 'Großgermanische Reich deutscher Nation'* [Utopia. The 'Greater Germanic Reich of the German Nation']," (Munich and Berlin: Institut für Zeitgeschichte, 1999), <www.obersalzberg.de/utopie-grossgermanisches-reich.html> (March 10, 2010).

[23] Antonio J. Munoz, et al., *The East came West. A Study of East European and Middle Eastern Collaboration with Nazi Germany in World War II, op. cit.*, p. 48.

[24] According to one scenario, the city of Sankt-Petersburg (Leningrad) was to be directly annexed to the Greater Reich. Between November 1942 and August 1943, German forces and Russian auxiliaries of the Kaminskii Brigade set up the Lokotskoye Samoupravleniye (the Lokot Autonomy) near the city of Bryansk. This was an area with internal autonomy that was to serve as a test case for a Russian collaborationist government under the SS. More detailed discussions can be found in Sergey Chuyev, *Proklyatie soldaty. Predateli na storone III. Reiha* [Doomed soldiers. Turncoats on the side of the Third Reich], *op. cit.*; Sergey Drobyazko, *Pod znamenami vraga. Antisovietskie formirovaniya v sostave germanskyh vooruzhonnyh sil 1941-1945.*; Georg Fischer, *Soviet Opposition Against Stalin: a Case Study in World War II* (Cambridge: Harvard University Press, 1952).

[25] Dieter Pohl, *Die Herrschaft der Wehrmacht. Deutsche Militärbesatzung und einheimische Bevölkerung in der Sowjetunion 1941-1944*, *op. cit.*, pp. 124; Jonathan Trigg, *Hitler's Jihadis.*

and other Axis troops increasingly had to deal with Communist partisan activity.

The Germans were also confronted with an enormous influx of Soviet prisoners or war. Their numbers may have been as high as 5.7 million. The estimates about those who died in captivity or during transport because of the appaling living conditions, epidaemia, mistreatment and executions go up to 3 million.[26] Much of this was the result of the initially rapid German advance deep into the USSR, the frenzy of conquest and of the status of "Slavic-Mongol subhumans" that Soviet people had in Nazi ideology. Initially, Soviet Muslim prisoners were not spared. Those who looked Meditteranean were often mistaken for Jews and treated as such, whereas those with Mongol features were considered to be "carriers of Bolshevism" along with the Jews. As such, the mortality rate among Turkestani (Central Asian) prisoners was particularly high. One figure that comes up in several sources is that only about 6 percent of the Turkestani prisoners survived captivity in the first half of 1941, compared to about half among Christian Caucasian prisoners.[27]

Paradoxically, these Soviet prisoners became the largest recruitment base for "indigenous" labour and combat units, including majority Muslim divisions like the Turkestan Legion. The high German losses on the Eastern Front, the daunting task of managing and consolidating control over large parts of occupied territory, the availibity of hundreds of thousands of war prisoners belonging to the USSR's ethnic and religious minorities as well as Hitler's strong desire to bring Turkey into the war on Germany's side (as it was during World War I) noped the Nazi hierarchy to adopt, be it reluctantly, a more realist approach as it was proposed by some army officers and Ostministerium advisors. As such, the Wehrmacht, police and Nazi administration became increasingly dependent "indigenous auxiliaries," not only for the construction of infrastructure but also for intelligence and counter-insurgency operations. By 1942, some 200,000 Hilfswillige and

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Muslim Volunteers in the Waffen-SS, *op. cit.*, p. 38. The civilian administration of the Reichskommissariat Ukraine, for example, required the transfer of some 200,000 civil servants from the Reich. Alexander R. Alexiev, *Soviet Nationalities in German Wartime History*, *op. cit.*, p. 12.

[26] This is more than the number of German troops deployed on the Eastern Front. The figures may also include stragglers left behind by the Red Army, as well as turncoats. There are no uniform statistics and Soviet and German data differ widely. Dieter Pohl, *Die Herrschaft der Wehrmacht. Deutsche Militärbesatzung und einheimische Bevölkerung in der Sowjetunion 1941-1944*, *op. cit.*, pp. 201-203 and pp. 210-211; Michael Parrish, *The Lesser Terror: Soviet State Security*, 1939-1953 (Westport: Praeger, 1996), p. 131.

[27] Alexander R. Alexiev, *Soviet Nationalities in German Wartime History*, *op. cit.*, p. 31; A. Ahat Andican, *Turkestan Struggle Abroad. From Jadidism to Independence*, *op. cit.*, p. 434.

Osttruppen were serving in the Wehrmacht in the Baltics and the Soviet space. By 1943, they respectively numbered 200,000 and 370,000.[28]

Logically, the inhuman treatment and high mortality rate among Turkestani and other Soviet Muslim war prisoners in 1941 should have resulted in virulent anti-German hatred rather than any willingness to collaborate; and in part it did. Yet there was also resentment against the Stalinist regime and its military policies for bringing them into this predicament in the first place. Joining a German labour batallion or a combat unit became also a way to escape the treatment in the prisoner camps. Another fact that should not be under-estimated is that resentment against the excesses of Bolshevism and Stalinism and was more widespread than later hagiographies of the Great Patriotic War want to admit.[29] During the recruitment campaigns and training, the Nazis focused propaganda efforts among the local populations and war prisoners on Bolshevik and Stalinist repression of religion which was a particulary sensitive issue among Soviet Muslims,[30] on the higher standards of living in the Reich, and on the possibility to realize long-suppressed ethnic and national aspirations under German aegis after the war.[31]

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[28] Dieter Pohl, *Die Herrschaft der Wehrmacht. Deutsche Militärbesatzung und einheimische Bevölkerung in der Sowjetunion 1941-1944*, *op. cit.*, p. 177. Osttruppen, or troops from the East, was the common denomination for military units that were recruited among the indigenous population and prisoners of war in the Baltics and the Soviet Union. One of the first units that was interested in employing Soviet POWs was the Abwehr, the German military intelligence. The Sonderverband Bergmann, for example, grouped North Caucasian highlanders and was used for intelligence and sabotage during the German advance on the Caucasus. From 1942, the General Headquarters of the Ostlegionen and most training facilities were situated in the Generalgouvernement Polen (Nazi-annexed Poland). Oleg Romanko, *Musulmanskie legioni vo Vtoroi mirovoi voine*, *op. cit.*, p. 137 and 143.

[29] See, for example, Georg Fischer, *Soviet Opposition Against Stalin: a Case Study in World War II*, *op. cit.*

[30] Stalin understood this and relaxed his regime's behaviour towards Islam (as it did towards Orthodox Christianity and the USSR's other major religions) in order to gain more support for the war effort among the Soviet Muslims. In 1942 and 1943 it set up the Council for Affairs of Religious Cults and the regional Muslim Spiritual Boards, which existed until the demise of the USSR in 1991. Philip Walters, "A Survey of Soviet Religious Policy", in: Sabrina P. Ramet, *Religious Policy in the Soviet Union* (Cambrigde: Cambridge University Press, 1993), *op. cit.*, pp. 16-19 and Marlène Laruelle and Sébastien Peyrouse (eds), *Islam et politique en ex-URSS* [Islam and politics in the former USSR] (Paris: IFEAC-L'Harmattan, 2005), pp. 62 and 86.

[31] Alexander R. Alexiev, *Soviet Nationalities in German Wartime History*, *op. cit.*, p. 23. A detailed discussion of Nazi propaganda efforts can be found in Joachim Hoffmann, *Die Ostlegionen 1941-1943: Turkotataren, Kaukasier und Wolgafinnen im deutschen Heer* [The Eastern Legions 1941-1943: Turco-Tatars, Caucasians and Volga Finns in the German military], Einzelschriften zur militärischen Geschichte des Zweiten Weltkrieges [Monographs on the military history of World War II] (Freiburg-Breisgau: Rombach, 1976). It is doubtful whether the Greater Reich, in case of actual victory, would have allowed anything more than a mosaic of ethnic protectorates and puppet states on its southern and eastern frontier, not an independent Turkestan, İdel-Ural state or a Pan-

It is here that political exiles from Central Asia and the Caucasus who had sought refuge in Germany and other European countries after the Bolshevik takeover of their respective countries and Pan-Turkic émigré circles in Turkey came in.[32] Several of these personalities had played a role in short-lived nationalist and reformist governments after the Bolshevik revolution and remained politically active in exile. These émigrés played an important part in the ideological training and political leadership of the volunteers and worked under the aegis of the Ostministerium and the Wehrmacht. In late 1941 and early 1942, several national committees were created in Berlin. In the opinion of their creators, these were to form provisional governments for their respective homelands while the military units manned by their countrymen would become the nucleus or the armies and police of these areas and countries once liberated from Stalinism.

The cooperation of the anti-Bolshevik émigrés and political cadres was not uniformly enthusiastic and at times reluctant. Yet considerations like a possibility to negociate better treatment for their countrymen in Nazi captivity and the perceived opportunity that the defeat of Stalin's USSR would offer for some form of autonomy, if not independence, for their homelands pushed many into collaboration anyhow. The Nazis, from their side, considered these organisms especially useful for propaganda and intelligence purposes rather than giving them any political weight. Of the Turkestan national committee's twelve sections, for example, five were given propagandistic tasks.[33]

The Turkestan Legion itself was by far the largest majority Muslim unit to ever serve in the Wehrmacht during World War II. It was formed in January 1942, when an auxiliary regiment of Soviet Muslims that was deployed on the Dniepr front was split into a unit for Turkestani, and another for Muslims from the Caucasus. [34] The Turkestan Legion was multi-ethnic and grouped soldiers from all of Central Asia's Turkic nationalities as well as Tajiks. Like with most Ostlegionen, however, the bulk of its officers corps were German. Although sources differ on this matter, one figure has it that only 87 of the 180,000 Turkestani volunteers were officers, of whom 23 were

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Arabic entity that eventually risked to become assertive and as much anti-German as they had been anti-Soviet or anti-British. Yet using (pan-)nationalist aspirations among political groups and exiles and popular frustrations certainly proved useful to mobilise support during the war.

[32] Long taboo or treated with heavy ideological bias in the Soviet Union, the existence and the circumstances of the formation of the Turkestan Legion became subject of attention and polemics again with the release of the film about Kazakh-Turkestani nationalist leader and publicist Mustafa Şokai in Kazakhstan in early 2008.

[33] Oleg Romanko, *Musulmanskie legioni vo Vtoroi mirovoi voine*, *op. cit.*, p. 145.

[34] Georg Fischer, *Soviet Opposition Against Stalin: a Case Study in World War II*, *op. cit.*, p. 48.

assigned to the committee.[35] Two key figures that played a role in the legion's formation and its ideolological framework were Mustafa Şokai and Veli Qayyum. The latter was an agronomist and political scientist from Tashkent who had come to Germany to study during the interbellum and stayed in Berlin after the Bolshevik takeover of Turkestan. He became a regular contributor for several German periodicals on the Muslim world, yet was not know to be politically active in the Turkestani diaspora in Europe. His alleged ties with the German National Socialist Party and with Alfred Rosenberg during that period remain shady and a subject of controverse.[36]

Mustafa Şokai (or Chokaev), an ethnically Kazakh lawyer and journalist, was the president of the short-lived Kokand Autonomy before going into exile near Paris.[37] From there he worked as a journalist for several outlets and was active in the Turkestani movement abroad. In mid-1941, Şokai was brought from occupied Paris to Germany by the Abwehr. He was introduced to Veli Qayyum and got involved in the inventory and recruitment of Turkistani war prisoners in the POW camps. He also tried to obtain better conditions for the prisoners, but died of typhoid in December 1941. The leadership of the 28-member Turkestan national committee then shifted to Veli Qayyum, who was appointed its official chairman by the Ostministerium in early 1942. The legion's liaison officer in the committee was Baymirza Hayit, a Soviet army captain from Namangan who went into German captivity in 1941.

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[35] A. Ahat Andican, *Turkestan Struggle Abroad. From Jadidism to Independence*, *op. cit*., p. 479. The often-quoted figure of 178,000 to 180,000 Turkestani is disputed (cf. remarks under Table 1) in the sense that not all actually served in combat units. The latter number might rather have been 70,000 while the rest were assigned to labour brigades. The low rate of Central Asian officers in the Turkestan Legion is partly explained by German policy, but also a consequence of the under-representation of Muslims in the Soviet officers' corps. Alexander R. Alexiev and Enders S. Wimbush, *The Ethnic Factor in the Soviet Armed Forces. Historical Experiences, Current Practices, and Implications for the Future,* Rand Corporation Document No. R-2930/1 (Santa Monica: The Rand Corporation, 1983), pp. 3-5.

[36] A. Ahat Andican, *Turkestan Struggle Abroad. From Jadidism to Independence*, *op. cit*., pp. 460-466; Bahyt Sadykova, *Pamyati Mustafy Chokai. Istoriya Turkestankogo Legiona v dokumentakh* [In memory of Mustafa Şokai. A documented history of the Turkestan Legion] (Almaty: Qainar, 2002), p. 46.

[37] The Kokand Autonomy (or Turkestan Autonomy) existed from December 10, 1917 to February 13, 1918 and was a reformist Muslim government based in the namesake city. Although the Bolsheviks pretended that its task was to create a regional Caliphate under British influence, its self-proclaimed goals were land and social reforms, and Turkestani autonomy within a democratic Russian republic, invoking Lenin's decree on the right of national self-determination for the peoples of Russia. It was opposed by both the Tashkent Soviet, and by the traditional notability which feared the proposed reforms. During recapture by Bolshevik troops, Kokand was thoroughly destroyed. Its population, which stood at about 120,000 in 1897, was 69,300 in 1926. Bahyt Sadykova, *Pamyati Mustafy Chokai. Istoriya Turkestankogo Legiona v dokumentakh*, *op. cit*., pp. 12-13; Fazal Ur-Rahman Khan Marwat, *The Basmachi Movement in Soviet Central Asia. A Study in Political Development*, *op. cit*., pp. 32-39.

Most of the members of the national committees and political émigrés who got involved in the formation of the Turkestan Legion and other units for Soviet Muslims were not clerics nor ideologically adepts of Pan-Islamism or Salafism. They were essentially nationalists, often with roots in Jadidism and in the wider Pan-Turkist movement.[38] Islam was an element of a wider ethnic and cultural identity. The political goal was an independent, or at least autonomous, Republic of Turkestan rather than an Islamic Emirate or a global Caliphate. Although the Turkestan Legion had chaplain imams who were to carry the leaderships's political message and legitimize the anti-Bolshevik cause, the legion's flag did not included Islamic symbols but was inspired on the Turkic sky blue and red flag of the Kokand Autonomy, with a white bow-and-arrow in the middle.[39] Attempts were made to promote Çağatai Turkish in the Latin script as the language of communication. Along with German, it was the legion's official language.

To what extent were the legion's soldiers aware or motivated by a nationalist agenda? Most probably they were not to the same degree as the political leadership. There were more likely a variety of people and motivations, often in combination with one another. Apart from a fringe of criminal opportunists, most legionaries joined collaborationism to escape the terrible conditions of the prison camps. At the same time, many also had memories of the brutal Stalinist colletivisation and anti-religious campaigns and purges in the home regions. The forthcoming grudges made them recepetive for ideals of a liberated Turkestan with German support, even if these eventually proved deceptive.[40] The

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[38] The ties between certain Pan-Turkist nationalists and Fascism are treated in Jacob M. Landau, *Pan-Turkism. From Irrendentism to Cooperation*, *op. cit.*, pp. 112-115; Charles W. Hostler, *Turkism and the Soviets: the Turks of the World and their Political Objectives* (London: Allen and Unwin, 1957). In the Arab region, many personalities with real and alleged Fascist/Axis sympathies were Pan-Arabic nationalists, rather than Islamists in today's sense. Many would become associated with secular nationalist movements like the Baath Party in Iraq or the Algerian Front de Libération Nationale that were to deliver several of the secular Arab regimes that were later opposed by the Islamists. For examples, see Roger Falligot and Rémi Kauffer, *Le croissant et la croix gammée. Les secrets de l'alliance entre l'Islam et le nazisme d'Hitler à nos jours* [The crescent and the swastika. The secret of the alliances between Islam and Nazism from Hitler to the present day] (Paris: Albin Michel, 1990). For a discussion of the dynamics of Pan-Turkism, Pan-Islamism and ethnicity in Eurasia, see Olivier Roy, *La nouvelle Asie centrale, ou la fabrication des nations*, *op. cit.*, pp. 75-82.

[39] This was organized in a similar way as the Catholic and Protestant chaplaincy in the Wehrmacht. Georg May, *Interkonfessionalismus in der deutschen Militärseelsorge von 1933 bis 1945* [Interconfessionalism in German military chaplaincy between 1933 and 1945] (Amsterdam: B.R. Grüner, 1978), pp. 360-367. Also borrowed from Wehrmacht symbolism was the maxim "Biz Allah bilen!" ["God is with us!"] on the legion's arm patches.

[40] For personal accounts by soldiers and officers of the legion, see A. Ahat Andican, *Turkestan Struggle Abroad. From Jadidism to Independence*, *op. cit.*, pp. 468-471; Stephen L. Crane, *Survivor from an Unknown War. The Life of Isakjan Narzikul* (Upland: Diane Publishing, 1999).

Turkestan Legion never fought in Turkestan itself, even if intelligence and sabotage commandos were deployed for covert operations in the Caspian port of Guryev (present-day Atyrau) and in Tashkent. There were eventually aborted plans to airlift men of the Turkistan Legion to areas inhabited by Turkic tribes in Northern Afghanistan to train a guerrilla force there and infiltrate the nearby USSR through its southern border.[41]

Various parts of the Turkestan Legion were deployed on the Kuban front north of the Caucasus, and in Stalingrad. Others were sent for guarding duties and counter-insurgency operations against the partisans in Belarus and Galicia. There are no indicators that the Turkestan Legion was ideologically driven by virulent, atavistic anti-Semitism - historically and culturally less ingrained in Turkestan than in large parts of Christian Europe - nor that it participated in mass murder against Jews like non-Muslim collaborators in Galicia, the Baltics and Belarus did.[42] In late 1943, eight batallions were sent to France and several more to Mussolini's Social Republic in North Italy to fight the partisans there. Yet the legion was never really equipped and armed up to its capacity. As it became clear that the Nazis considered the legionaries as auxiliaries rather than fully-fledged allies with a cause and an agenda, morale and discipline fell rapidly.[43] The legion was also affected by discontent among some of its Kazakh-Kyrgyz members towards the Uzbek domination of the political leadership and by the power struggle between the Wehrmacht and the Waffen-SS. In early 1945, several Turkestani batallions were transferred from the Wehrmacht to the *Osttürkischer Waffen-Verband der SS*, a Pan-Turkist SS detachment that operated in various areas of Southeastern Europe before its soldiers rebelled against their German officers and deserted.[44]

As the Reich collapsed, several battalions of the Turkestan Legion fought to the death, tried to join the partisans or turn sides again to the Soviets. Much of the legion ultimately surrendered to the Anglo-American forces, who were expected to be more lenient than the Soviets. The Yalta agreements, however, stipulated that all Soviet citizens found

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[41] This operation, code-named *Unternehmen Hansa*, is discussed in detail in A. Ahat Andican, *Turkestan Struggle Abroad. From Jadidism to Independence*, pp. 547-550.

[42] Detailed accounts of the latter can be found in Yitzhak Arad, *The Holocaust in the Soviet Union* (Lincoln: University of Nebraska Press, 2009), pp. 88-95, 141-162 and 274-285.

[43] Bahyt Sadykova, *Pamyati Mustafy Chokai. Istoriya Turkestankogo Legiona v dokumentakh*, *op. cit.*, pp. 51-52. The use of the Turkestan legion and other Osttruppen on the Western front is documented in Peter Lieb, *Konventioneller Krieg oder NS-Weltanschauungskrieg? Kriegsführung und Partisanenbekämpfung in Frankreich, 1943/44* [A conventional war or a National-Socialist ideological war? Warfare and counter-insurgency in France, 1943/44] (Munich: Oldenbourg Wissenschaftsverlag, 2007), pp. 118-130 and in Jean-François Borsarello and Werner Palinckx, *Wehrmacht and SS: Caucasian, Muslim and Asian Troops*, *op. cit.*, pp. 101-102.

[44] Jonathan Trigg, *Hitler's Jihadis. Muslim Volunteers in the Waffen-SS*, op. cit., pp. 176-180.

or caught in Europe were to be sent back to the USSR. Once there, most returnees were interned in NKVD filtration camps before being either executed or condemned to labor camp or prison sentences. Some legionairies and members of the national committee managed to escape to Turkey and join the Turkestani emigré community there. Some, like Veli Qayyum and Baimirza Hait, benefited from the new Cold War paradigm and managed to stay and live in post-war Germany.

Unlike some 606,000 North Caucasian Muslims, a quarter of a million Tatars from the Crimea and several non-Muslim nationalities, no Turkestani nationality was collectively deported from its homeland to other parts of the Soviet Union at the end of the war on the grounds that a number of its men had fought on the German side.[45] This deportation policy and the choice of its targets were likely determined by the real or perceived number of pro-German collaborators as compared to the number of men from those communities who fought in the Soviet army; the sheer manageability of the numbers of people to deport; and by a securisation policy of the USSR's border areas close to Turkey and the Black Sea which included the removal of "historically restive and unreliable peoples" from those areas.[46]

Global War Meets Local Conflicts: Policing the Frontlines

If in the occupied parts of the Soviet Union, the Nazis used a combination of nationalist aspirations, anti-Stalinist sentiments and the sheer misery and desperation among Turkestani and other Soviet Muslim prisoners of war to mobilise Muslim units, the process was somewhat different in theatres like the Balkans and Bosnia in particular. One of the main Muslim collaborationist units there was the Handschar division of the Waffen-SS. Formed in February 1943 and recruited mainly among Slavic Muslims from Bosnia, it was the first fully-fledged non-Germanic SS division. As such, it served as a model for the creation of other Muslim-manned SS units in the latter war years.[47]

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[45] Michael Parrish, *The Lesser Terror: Soviet State Security, 1939-1953*, *op. cit.*, p. 107.

[46] Juliette Denis, "De la condamnation à l'explusion: la construction de l'image de collaboration de masse durant la Grande Guerre patriotique" [From condemnation to expulsion: the construction of the image of mass collaboration During the Great Patriotic War], in: Aurélie Campana, Grégory Dufaud and Sophie Tournon, *Les déporations en héritage. Les peuples réprimés du Caucase et de Crimée hier et aujourd'hui* [The legacy of deportation. Repressed peoples from the Caucasus and Crimea yesterday and today] (Rennes: Presse Universitaires de Rennes, 2009), pp. 31-38.

[47] Amandine Rochas, *La Handschar. Histoire d'une division de Waffen-SS bosniaque* [The Handschar: the history of a Bosnian Waffen-SS division] (Paris: L'Harmattan, 2007), p. 168. Other examples of non-Germanic SS-units include the Skanderbeg division which was recruited among Albanians from Albania, Kosovo-Metohija and Macedonia. In late spring 1944, the SS created a second Bosnian unit, the Kama division, though this unit had

One of Handschar's particularities was, that it had its recruitment base among a group whose identity was not so much determined by a language or a broader ethnic culture but by a religious affiliation. It consisted of populations of South Slavic origin and of Serbo-Croat language, but distinctive from the ethnically and linguistically related Serbs and Croats in that they professed Islam and not Orthodox or Catholic Christianity. Many Muslims in Bosnia and the neighboring region of Sanjak descend from Southern Slavs, in part members of dissident Christian churches who were heavily persecuted by Catholic nobility during the Middle Ages, who gradually converted to Islam after the establishment of Ottoman rule in Bosnia and Hercegovina in 1463.[48] After the withdrawal of Ottoman power, the Bosnian Muslims came under the Habsburg empire. Unlike the Turkestani or Tatar nationalists, Bosnia's Muslims had no clear and etnically-territorialy defined nationalist concept.

From April 1941 to May 1945, Bosnia and Hercegovina and the Muslim populations living there were part of the so-called Independent State of Croatia (ISC), one of the Axis vassal states carved out of Yugoslavia after the outbreak of World War II and the defeat of the royal Yugoslav army. The regime of ISC leader Ante Pavelić was of heavily Fascist nature and directly propped-up by German and Italian occupation forces who each controlled a sector of the ISC's territory. The capital Zagreb and the inland including Bosnia and Hercegovina came under German control, while the Dalmatian coast was under Italian control.[49] In 1941, only about half of the ISC's population of 6.3 million were Catholic Croats. Serbs and other Orthodox comprised about one-third and the some 717,000 Bosnian and other Muslims about 11 percent of the population. The ISC state was controlled by Pavelić's extremely brutal Ustaša militia and was supported by ultra-nationalist elements within the Croatian Catholic clergy. The Ustaša led a campaign of extremination, conversion and ethnic cleansing of Serbs and smaller minorities like Gypsies and Jews in which 500,000 to 600,000 people perished.[50]

The position of the Muslims in the ISC as well as the relations between the Muslim leaders and the population and the state were

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less than 3,800 men and was never fully operational. Jonathan Trigg, *Hitler's Jihadis. Muslim Volunteers in the Waffen-SS*, op. cit., pp. 139-156 and 157-174.

[48] For the process of Islamicization of Bosnia and the ethnogenesis of the Bosnian and Sanjak Muslims, see Noël Malcolm, *Bosnia, a Short History* (London: Macmillan, 1994), pp. 51-69; Mitja Velikonja, *Religious Separation and Political Intolerance in Bosnia-Herzegovina* (Station, Texas A&M University Press, 2003), pp. 55-90.

[49] For maps of pre-war and wartime Yugoslavia, see Jean Sellier and André Sellier, *Atlas des peuples d'Europe centrale*, *op. cit*., pp. 166-167.

[50] Mitja Velikonja, *Religious Separation and Political Intolerance in Bosnia-Herzegovina*, *op. cit*., pp. 168-175.

ambivalent.[51] In order to boost the percentage of ethnic Croats in the ISC, the regime considered the Muslims as Croats of the Islamic faith rather than as a community in its own right. Bosnian notability and Islamic leaders were divided on how to behave towards the ISC-Ustaša regime. Like many Croats, part of the ISC's Muslim establishment initially welcomed the foundation of the ISC as a "liberation" from Serb hegemony in Yugoslavia, even though by the end of the war popular support for the ISC regime among Croats as well as Bosnian Muslims was marginal. Although the regime and its ideology were clearly influenced by Catholic Croat nationalism, there were no systematic persecutions or attempts to convert the ISC's Muslim population as there were towards Orthodox Serbs and Jews. The ISC's Muslims were also represented in the rubber-stamp parliament (6 percent of the seats), the gendarmerie and the regular armed forces, while 2 of the 20 state ministers in the ISC's government were Muslim.[52]

On the other hand, the growing influence of Catholic extremists and the genocidal behaviour of the Ustaša towards Serbs, Jews and other non-Catholic populations in Bosnia created clear unease and resentment among the Muslim population and several of its leaders, if only because Muslims might be the next in the persecution line.[53] A certain number of Muslims joined the Communist partisans, who set up special Muslim Brigades and promised religious freedom for Islam. Other Bosnian Muslim leaders, however, were aware of the treatment of Islam in the USSR and were not convinced. Reminiscent of the autonomy that Bosnia, Hercegovina and the Muslims had when they were part of the Habsburg empire between 1878 and 1918, they preferred autonomy under German protection.[54] This movement gained ground as Bosnia and Hercegovina were becoming Yugoslavia's main battleground, not only between the Axis and the Allies but especially of an intra-Yugoslav civil war in which the ISC and the Ustaša, Serb royalist Četniks, the Communist partisans and irregular militias fought each other in ever-switching and sometimes very local alliances, often with ad hoc support from one of the Axis or Allied powers. Much of the violence was fueled by grudges dating from the Ottoman period and even medieval times rather than by ideology.

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[51] For more on the position of Bosnia's Muslims in and their relations with the ISC and its regime, see Noël Malcolm, *Bosnia, a Short History*, *op. cit.*, pp. 185-192; Enver Redžić, *Bosnia and Hercegovina in the Second World War* (London: Frank Cass, 2005), *op. cit.*, pp. 85-87 and 164-196.

[52] Jonathan Trigg, *Hitler's Jihadis. Muslim Volunteers in the Waffen-SS*, *op. cit.*, p. 69; Enver Redžić, *Bosnia and Hercegovina in the Second World War*, *op. cit.*, pp. 166-167.

[53] In late 1941, Muslim leaders in Sarajevo, Mostar and Banja Luka issued several Fatwas (Islamic decrees) against Ustaša atrocities against Serb and Jews.

[54] Amandine Rochas, *La Handschar. Histoire d'une division de Waffen-SS bosniaque*, *op. cit.*, p. 28; Noël Malcolm, *Bosnia, a Short History*, *op. cit.*, pp. 136-155.

In reaction to the atrocities committed by the Ustaša, Bosnian Serbs and Četniks carried out massacres against Muslim civilians in Bosnia and in the Sanjak. Renegade Ustaša units also attacked Muslim villages. In both cases, the ISC's regular armed forces were not able or willing to interfere or do very much. Estimates on the number of Muslims killed during the war vary from 75,000 to 90,000, or between 11 and 13 percent of the population.[55] Bosnia's Muslims were not only increasingly organising self-defence units and armed vigilantes to protect their villages against attacks from all sides, part of the population and its leadership came to see the Germans as a more "neutral" external force in the conflict.[56]

It was in these circumstances that the Handschar division emerged. On the German side, the need to delegate the policing of Bosnia and Hercegovina to proper indigenous units rather than to rely on the increasingly unpopular and unstable ISC-Ustaša regime became acute in 1942. The formation of an own locally recuited SS division in Bosnia was to serve several vital interests. First, safeguard the production and transportation of bauxite from mines in Bosnia to the Reich's war industries. Second, protect the 600,000 to 700,000 Volksdeutsche or ethnic Germans living in the Banat and Vojvodina, both areas in the north of Yugoslavia. Third, stabilize increasingly anarchic Bosnia and Hercegovina. And fourth, its also had to create the possibility to release German military manpower from Bosnia in order to send them to the Soviet/Eastern Front where losses were particularly high.[57]

Because the Bosnian Handschar was the first Waffen-SS organisation with Muslims, several initiatives were take to "synthesize" National Socialism and Islam. Contrary to the Wehrmacht, the Waffen-SS had no Christian chaplaincy, yet its command did organised Islamic chaplaincy down to batallion level for the Handschar division. In order to boost the morale of the Handschar in Bosnia and, through it, enlist support among the some 300 million Muslims in the wider Islamic world, Berlin enlisted the help of Islamic leaders perceived as ideologically sympathetic - or at least having the same enemies - like the very controversial Grand Mufti

[55] The mortality proportion among Bosnian Serbs was 7.3 percent. Noël Malcolm, *Bosnia, a Short History, op. cit.*, p. 192.

[56] Viktor Meier, *Yugoslavia. A History of its Demise* (London: Routledge, 1999), pp. 204 and 504. Examples of such Muslim self-defence units were the Zeleni Kadar (green cadres) and the Hadži-Efendićeva Legija [the legion of Major Hadži-Efendić] in Tuzla. Jozo Tomasević, *War and Revolution in Yugoslavia, 1941-1945: Occupation and Collaboration*, *op. cit.*, p. 504.

[57] Valdis O. Lumans, *Himmler's Auxiliaries: The Volksdeutsche Mittelstelle and the German National Minorities of Europe, 1933-1945* (Chapel Hill, University of North Carolina Press, 1993) pp. 117-118; Jonathan Trigg, *Hitler's Jihadis. Muslim Volunteers in the Waffen-SS*, *op. cit.*, p. 70; Antonio J. Munoz e.a., *The East came West. A Study of East European and Middle Eastern Collaboration with Nazi Germany in World War II, op. cit.*, p. 249.

of Jerusalem Al-Husseini.[58] The Pan-Arab nationalist Al-Husseini firmly opposed Jewish immigration to Palestine during the inter-war period and was also a fervent supporter of the anti-British 1941 coup in Iraq. The Mufti visited the quarters of the Handschar division in Sarajevo and in France, and he and his mainly Iraqi entourage were instrumental in the propaganda efforts and in the selection of the division's imams.[59] This cooperation was not so much a matter of "ideological affinities" or "similarities" between Nazism and Islam, as it was part of an SS experiment to expand support and motivate its foreign volunteers by using their religious and cultural sensitivities as well as frustrated communal aspirations - especially when these volunteers were to be crucial in policing certain strategic areas like Bosnia.

The Handschar division had some 23,000 men at its zenith. Like the Turkestan Legion, its officer cadre was mainly German: only about 10 percent of its 360 officers were Bosnian Muslims, the rest were mostly ethnic Germans from Yugoslavia.[60] The division was sent to France for training but in the fall of 1943, the dissatisfaction among the soldiers for not being able to defend their villages while abroad caused the first substantial mutiny in the Waffen-SS.[61] Back in Bosnia and Hercegovina, the division was deployed in counter-insurgency operations against the partisans. In the fall of 1944, many Handschar soldiers deserted to the partisans or shed their uniforms and returned to their villages. The remnants of the division fought on with several ethnic German units along the lower Danube before surrendering to the Anglo-Americans near Vienna. Many were returned to the new Communist Yugoslav regime and met similar fates as the returnees of the Turkistan Legion did in the USSR. The dynamics that fed the civil war-within-the war in Yugoslavia, however, were all but dead.

Concluding Remarks

Certain opinion makers affiliated to the European and American far-right, extremist Zionists as well as Serb ultra-nationalists, present the existence of Muslim units in the Wehrmacht and the SS and the behaviour and alliances of Mufti Al-Husseini as the ultimate proof that Islam and Muslims have at least a weakness for "Fascism" and eagerly use this page of history to demonize Islam and Muslims. This paper examined the circumstances and the proportions of the wartime

[58] Amandine Rochas, *La Handschar. Histoire d'une division de Waffen-SS bosniaque, op. cit.*, pp. 58-59.
[59] Jozo Tomasević, *War and Revolution in Yugoslavia, 1941-1945: Occupation and Collaboration*, *op. cit.*, p. 497.
[60] Enver Redžić, *Bosnia and Hercegovina in the Second World War*, *op. cit.*, p. 181.
[61] Jozo Tomasević, *War and Revolution in Yugoslavia, 1941-1945: Occupation and Collaboration*, *op. cit.*, p. 500.

collaborationist movements among Muslims and compared these to collaboration among non-Muslim groups in the territories and countries concerned. Collaborationism among Muslims did existed as it did among non-Muslims. Ideologically, their agendas were nationalist much more than religious, and the question also remains to what extent pro-German Islamic leaders like Mufti Al-Husseini spoke and acted for "the Islamic world" in general.

Can this be compared with the present situation? A first question that arises is who or what is supposed to play the role of the Third Reich. To depict contemporary Iran, Gaza under Hamas, or Saddam's Iraq after the Kuwait invasion of 1990, as a "new Third Reich" makes little more than a good tabloid blurb and today's international Salafist Jihadi networks are not a heavily industrialized one-party state with imperial ambitions and a racialist ideology. The various secular nationalisms or pan-nationalisms that motivated certain groups to engage into collaboration with Nazi Germany are much less factors and players today than they used to be. The question is also whether the anti-Semitic shock rethoric in some militant Islamist circles is more rooted in deep resentement and frustration about the Israeli-Palestinian conflict, rather than in Nazi anti-Semitism or the atavistic anti-Semitism that exists or existed in parts of Christian Europe. Given the nature of the inter-war geopolitical order, it is now obvious that the Muslim and other nationalist circles who engaged with one imperialism and totalitarianism to fight another, could eventually not be anything more than pawns in a war that was not theirs. In today's fledgling mutli-polar world order, parties fighting in others' wars exist more than ever. But the nature of modern proxy warfare is more ad hoc and fluid than the foreign regiments and legions of the Reich used to be.

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From a *Junken* City to a Showcase City: The Formation and Development of the City of Shihezi in Xinjiang Uygur Autonomous Region in China

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ABSTRACT

This is a case study of the history and development of the city of Shihezi in Xinjiang, China. It examines the social and economic environment in which Shihezi was constructed and nurtured, first as a *Junken* town, then as an important industrial city and since the reform as a globalized economic entity. Heralded as a model city by its citizens and national and international agencies, Shihezi owes much of its success and glowing reputation to the favorable treatment that it has received from the local as well as the central government since 1950, when the city was built on the Gobi desert in the Zungharian basin. The support and special treatment that Shihezi has received are likely to continue into the future since as a successful *Junken* city, the development of Shihezi helps contribute to China's policy of development of frontier land.

Keywords • Shihezi • Xinjiang Uygur Autonomous Region (XUAR) • City Development • Economic Development • Xinjiang Production and Construction Corps (XPCC)

Introduction

Shihezi is a city of 280 thousand people in the northern Xinjiang Uygur Autonomous Region (XUAR) in China. It is located in the middle of the

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[1] Yu Jizhi, "Zou Xiang Xinshiqi de Xinjiang Shihezi [The Shihezi in Xinjiang that is Marching towards a New Era]," *Eluosi Zhongya Dongou Shichang* (*The Market of Russia, Central Asia and East Europe)*, No. 8 (2005). See also, Nong Xuemei, "Gobi Mingzhu –

Northern Tianshan Mountain Range, about 150 kilometers northwest of Urumqi, the capital city of XUAR. Shihezi has been heralded by its citizens, as well as by Chinese scholars and policy makers, as a model city, and is repeatedly referred to as a "pearl" or "sparkling star" in the Gobi desert in scholarly and governmental publications.[1] The positive sentiment about Shihezi is apparently shared also by numerous national and even international organizations. Shihezi has been honored with high profile awards including "the Dubai International Award for Best Practices to Improve the Living Environment" by the United Nation in 2000.[2]

Shihezi is also a city worthy of the attention of social science research, for it offers an interesting case in the study of urban patterns, regional development, economic reform, and other related issues in China. This paper examines the history and current status of Shihezi at the structural and macro level. There are several purposes of this study. One is to examine and analyze changes and development in Shihezi by focusing on demographic, social, political, economic and institutional characteristics. The second purpose is to shed light, through the examination of Shihezi's dynamic changes and evolution for more than half a century, on policies and practices in China that affect urban policies, regional development, and economic reform. It will also help explain how variations in these policies and practices have had an impact on the development of cities like Shihezi in frontier lands. Finally, this study contributes to the literature on China's policies on the development of geographically remote areas such as Xinjiang and other parts of the Central Asian region.

The paper is divided into four sections. Following this first section which serves as introduction, the second section consists of a discussion of the Xinjiang Production and Construction Corps (XPCC), with which Shihezi is affiliated, will be presented as background information. The third part of the paper is a chronological discussion on changes that have taken place in Shihezi since 1950 when Shihezi was first developed. In the last section, the conclusion, I offer some remarks that I hope will help stimulate further research on urbanization patterns in XPCC, in Xinjiang and in other periphery regions of China.

Shihezi (Shihezi – The Sparkling Star over Gobi Desert)," *Eluosi Zhongya Dongou Shichang* [The Market of Russia, Central Asia and East Europe], No. 8 (2006); and "Shihezi City Wins UN Award." *People's Daily*, September 20, 2000.

[2] "Shihezi City Wins UN Award," *People's Daily*, September 20, 2000.

Background: The Xinjiang Production and Construction Corps (XPCC)

After Xinjiang was taken over by the People's Liberation Army (PLA) without bloodshed at the end of September in 1949, resentment against the Han Chinese and frequent revolts by ethnic minorities posed a continuous threat to the stability of the region and the new government. Nearly 200,000 PLA troops were therefore dispatched to Xinjiang to guard the frontiers and maintain social order in this remote and ethnically diverse region. From the very beginning, it was made clear that the huge number of military units were expected to be self-supportive, so as not to pose a burden to the local economy or the government. This was achieved by reclaiming frontier land and building large-scale production and construction projects while safeguarding the region, a practice known as "*Junken*" (militia and reclamation) in Chinese history.

The "*Junken*" efforts in Xinjiang during the early years of the PRC proved to be successful, at least when judged purely in terms of development and stability. Not only did the army troops become self-reliant in terms of food and basic necessities, they were able to help the local economy with their agricultural, livestock and other products as well.[3] In 1952, a huge section of the PLA was collectively discharged from the military service and these personnel were reassigned duties that included both economic as well as military responsibilities. These former PLA forces became the backbone of the XPCC, an economic and semi-military organization that was officially established in 1954 with initial personnel of 175,000 former military troops.

With the mission "to develop, construct and stabilize Xinjiang and strengthen the frontiers",[4] the XPCC was under the dual leadership of the central government and the provincial government of the XUAR. The XPCC initially consisted of 10 divisions (reclamation areas) plus numerous organizations of specialization including transportation, scientific research, education, health care, culture and judiciaries. The hierarchical structure of XPCC follows that of a military organization where the XPCC headquarters is in charge of affairs ranging from economic planning to personnel arrangement at the divisional level units. Each of the divisions or reclamation areas consist of and are in charge of various numbers of regiments, i.e., agricultural or stockbreeding farms, that are spread throughout the vast territories of Xinjiang. The administrative units at the grassroots level are platoons or brigades that are under the leadership of agricultural or stockbreeding farms.

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[3] Ding Weizhi, *Zhongguo Guoqing Congshu – Baixianshi Jingji Shehui Diaocha, Shihezi Juan* [Analysis of Economic and Social Characteristics of 100 Counties and Cities in China – Shihezi Volume] (Beijing: China Encyclopedia Publishing House, 1994).

[4] Encyclopedia of Xinjiang Editorial Board, *Encyclopedia of Xinjiang* (Beijing, China: China Encyclopedia Publishing House, 2002), p. 655.

Shihezi and the Establishment of the XPCC

Initial Years: 1950 - 1954

It was for the purpose of housing the headquarters of the soon-to-be XPCC that the city of Shihezi was designed and constructed. Plans were made in 1950 for the development of Shihezi shortly after the arrival of the first group of PLA soldiers. The plans envisioned a target population of 50,000 in the region, including an urban center of 10,000 people.[5] The implementation of the plans started in 1951, remarkable achievements were made within just a couple of years. The major accomplishments of the development during this period included the construction of major roads, office buildings, dormitories, schools, hospitals, food processing factories, and other projects and facilities that were essential to maintaining the functioning of the community, but were unprecedented in this region of Xinjiang. The original office building of the XPCC, for example, a four-story building constructed in 1952, was the first high-rising building ever constructed west of Urumqi in Xinjiang. This building, renamed the "*Junken* Building Number 1" in 1992, is now converted into a museum that depicts the history and current status of the XPCC.

In spite of the successful take-off of the construction and development of Shihezi in the early 1950s, the complete implementation of the development plan of Shihezi, designed in 1950, was not materialized due to the restructuring and formal establishment of XPCC in 1954, and the subsequent decision by authorities to relocate the XPCC headquarters from Shihezi to Urumqi.[6] Shihezi, as a result of the restructuring, was to become the headquarters of one of the ten initial divisions under the XPCC, i.e., the Eighth Agricultural Division, with 18 farms and numerous industrial enterprises, and a total population of close to 22 thousand.

Shihezi and the Eighth Division were in a parallel position with the other nine divisions and the communities that house them within the administrative hierarchy of the XPCC. However, it should be pointed out that the Eighth Agricultural Division and the area of Shihezi benefited tremendously from the initial development of Shihezi as one of the *junken* bases to pave the way for the establishment of the XPCC. Simply put, compared with other divisions and areas within the XPCC, Shihezi and the Eighth Agricultural Division were in a much more advantageous position from the very start of the XPCC. As will be

[5] Shihezi Almanac of City Construction Editorial Committee, *Shihezi Almanac of City Construction, 1950-2000*. (Urumqi, China: Xinjiang People's Publishing Company, 2003), pp. 3 and 74.
[6] *Ibid.*

demonstrated, the support and attention that Shihezi received during the initial years of the PRC were only the beginning of the "preferential" treatment that Shihezi has been continuously receiving.

Industrial Development: 1955 - 1965

During the mid-1950s, following the successful development of the economic foundation, during the initial years of the PRC, China shifted its economic plans to a greater emphasis on industrial development, particularly industry in non-coastal regions, which was part of the "third-front construction" (sanxian jianshe).[7] Shihezi attracted attention from agencies sent by the provincial and the central governments that were searching for locations to spearhead the industrial development in the scarcely populated Xinjiang. The reconstruction and expansion of the city were once again brought to the agenda, in 1956 with a much more ambitious blueprint, when Shihezi was selected as one of the sites for industrial development in Xinjiang. The new plan proposed to expand Shihezi into a medium-sized city with a target population between 300,000 and 400,000. In order to implement the plans, Shihezi was given permission from the provincial government to annex areas and territories of about 200 square kilometers from neighboring communities (which was later named the township of Shihezi or Shihezi Xiang).[8] Furthermore, in addition to financial subsidies by the government, the citizens of Shihezi were called upon to help raise funds for the badly needed capital accumulation for the city construction. The city government, for example, raised funds to build factories by borrowing money from the meager salaries of employees. The financial compensation that former soldiers received when they were collectively demobilized from the army was also temporarily used for the purpose of city construction.[9]

The combined impact of the endorsement and support from the administrations and the enthusiastic participation from the citizens in Shihezi resulted in fruitful outcomes for Shihezi's renewed construction and industrial development. From 1957 to 1961, Shihezi constructed several large-scale industrial projects, including the first hydro-electric power plant and numerous factories and manufacturing facilities. These included a sugar refinery plant, plants for cotton spinning and wool weaving, factories for fabric dying and paper productions, as well as

[7] "Third-front construction" refers to the campaign in China during the 1950s and 1960s to relocate industrial facilities from the coastal region to inland and western regions for the purpose of national security and defense.

[8] Shihezi Almanac of City Construction Editorial Committee, *Shihezi Almanac of City Construction, 1950-2000*. (Urumqi: Xinjiang People's Publishing Company, 2003).

[9] Ding Weizhi, *Zhongguo Guoqing Congshu – Baixianshi Jingji Shehui Diaocha, Shihezi Juan*, *op. cit*.

additional food processing plants and other large scale industrial facilities. It was not a coincidence that several of these factories shared a common phrase in their names, e.g., August 1st Cotton Weaving Factory (A1CWF), August 1st Wool Weaving Factory (A1WWF), August 1st Sugar Refinery Factory (A1SRF) and August 1st Paper Production Factory (A1PPF). August 1st is observed in China as the anniversary of the founding of the PLA and to commemorate the first confrontation against the Nationalists by the Communists in the Southern city of Nanchang in 1927.

With the construction and operation of these industrial facilities, Shihezi soon became an industrial center in Xinjiang. It was from these brand-new factories and manufacturing facilities that sugar and paper, as well as machine-produced wool thread and fabric, were produced for the first time in the history of Xinjiang. These products were marketed and consumed not only in Xinjiang, but also all over China. By the early 1960s, Shihezi was listed as one of the 96 key cities with a heavy concentration of industry in China.[10]

The Interruption of the Cultural Revolution: 1966 - 1976

Unfortunately, the second phase of Shihezi's development was also interrupted during the Great Proletariat Cultural Revolution, which started in China in 1966 and did not end until 1976. Consistent with the situation throughout China during those ten years, Shihezi experienced tremendous chaos and destruction, with resulting serious setbacks in the economic, social and political arenas. One of the strongest and immediate impacts of the Cultural Revolution was it severely affected agricultural production. The major crops such as grain, cotton and sugar beet production all suffered severe reductions in Shihezi during the Cultural Revolution and for a few years afterwards. While the output of grain production experienced a reduction by 28 percent from 192 million kilograms in 1966 to 138 million kilograms in 1975, the output of cotton and sugar beet production decreased by 69 percent (from 14 million to 4.5 million kilograms) and 57 percent (from 196 million to 85 million kilograms) respectively during the ten year period.[11] The major reason for the reduced agricultural output was the drastic decline of the efficiency of agricultural performance compared with the pre-Cultural Revolution period. Compared with 1966, the average output value per *mu* suffered a loss of 27 percent for grain, 58 percent for cotton, and 38 percent for sugar beet respectively in 1975.[12]

[10] *Ibid.*
[11] *Ibid.*
[12] *Ibid.*, p. 38.

The decreased agricultural productivity directly affected the overall economy of the region. Textile and sugar production, for example, suffered losses due partly to insufficient raw material supplies. Furthermore, animal husbandry experienced a shortage of food supplies for the stock, which meant reduced material supply for wool production. These vicious cycles and chain reactions resulted in a sluggish economic performance for the area. The gross industrial and agricultural output values of Shihezi suffered an approximately 15 percent decline from 392 million Yuan in 1966 to 332 million Yuan in 1975.[13]

Shihezi was not the only area that experienced a stagnant economy during the Cultural Revolution. The economy of the whole XPCC was bleak during those years.[14] The detrimental economic condition, which reached a "near collapsing status", as one publication puts it,[15] was probably a strong determining factor that prompted the sudden dissolution of the XPCC in March 1975, a decision jointly made by the Party Central Committee and the Central Military Commission. Employees and organizations at all levels of the XPCC were rearranged to be merged with local civilian communities and organizations that were physically adjacent to the XPCC units and/or were in similar lines of economic or professional activities and professions.

Data and research on the subject of the dissolution of the XPCC is scarce, making it difficult to determine the exact rationale for the decision. However, it is safe to assume that this move was part of a solution to help ease the pressure on the government since it was responsible for providing welfare support, ranging from food items to salaries, to the huge number of personnel of the XPCC who were almost exclusively state-employees. To rearrange the XPCC organizations and integrate those with local and civilian administrative units meant a shift of such burdens, at least to a certain extent, from the government.

Apparently, however, the dissolution of the XPCC was not a well thought-out or long-term solution to the numerous problems the government was trying to solve. As a matter of fact, it was considered by some among the policy makers in China to be a mistake.[16] In June 1981, Mr. Wang Zhen, the Communist military commander who led troops into Xinjiang in 1949 and later served as Xinjiang's first Party secretary, suggested to Deng Xiaoping, the Paramount leader who started the economic reform in China, to resurrect the XPCC. Deng, accompanied

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[13] *Ibid.*, Table 2-2.1

[14] James D. Seymour, "Xinjiang's Production and Construction Corps, and the Sinification of Eastern Turkestan," *Inner Asia,* 2,2 (2000): 171-193.

[15] Encyclopedia of Xinjiang Editorial Board, *Encyclopedia of Xinjiang* (Beijing: China Encyclopedia Publishing House, 2002).

[16] James D. Seymour, "Xinjiang's Production and Construction Corps, and the Sinification of Eastern Turkestan," *op. cit.*

by Wang and others, visited Xinjiang two months later in August, and by December of the same year, the XPCC was officially restored to the form and structure of six years before, a decision jointly made again by the Party Central Committee and the Central Military Commission.[17] As a result, Shihezi became once again the headquarters of the Eighth Agricultural Division.

Administrative and Structural Changes: 1975 - 1984

All the events and changes surrounding the XPCC during the 1970s and 1980s had, without doubt, a significant impact on people in and outside the XPCC. However, at the structural level, the impact of these changes was arguably stronger on Shihezi than on other XPCC units. Unlike most other divisional headquarters located in areas that already had a concentration of population when the XPCC was founded, Shihezi was practically built out of the wilderness for the sole purpose of housing XPCC units. In other words, Shihezi was an XPCC town. When the XPCC was dissolved in 1975, the Shihezi Prefecture, an administrative region directly under the provincial government, was established with a population of 521 thousand.[18] The next year, the State Council of China approved that city status be granted to the portion of Shihezi that included the central district plus two adjacent agricultural farms (Farm #152 and the General Farm), with a total population of 166 thousand.[19] The city of Shihezi, with a county level status under the Prefecture of Shihezi, hence became the fifth city in XUAR in 1976.[20]

Three years later, in 1979, Shihezi Prefecture was abolished, but Shihezi City remained unchanged as a county-level administrative unit. Then in 1984, the city of Shihezi was upgraded to the prefecture level, which put the city directly under the leadership of the provincial government. It is noteworthy that the abolition of the Shihezi Prefecture and the promotion of Shihezi's city status from the county to the prefecture level were consistent with reform-guided urban-planning and patterns in China since the end of the 1970s. Here a discussion on the administrative systems in China and their changes is necessary.

During the Mao years, and to a certain extent also today, the administrative system of geographic arrangement in China generally followed a hierarchical pattern. The central government stands at the top,

[17] Encyclopedia of Xinjiang Editorial Board, *Encyclopedia of Xinjiang*, *op. cit.*
[18] Ding Weizhi, *Zhongguo Guoqing Congshu – Baixianshi Jingji Shehui Diaocha, Shihezi Juan*, *op. cit.*
[19] Shihezi Almanac of City Construction Editorial Committee, *Shihezi Almanac of City Construction, 1950-2000*, *op. cit.*
[20] Dai Junliang, *Zhongguo Shizhi* [Chinese Urban System] (The China Map Publishing Company, 2000). See also Shihezi Almanac of City Construction Editorial Committee, *Shihezi Almanac of City Construction, 1950-2000, op. cit.*

followed by provincial, then prefectural and lastly county level administrative units. Cities were arranged along a similar hierarchy and were identified as those of provincial, prefecture and county levels. While provincial level cities were directly under the central government, the provincial-level government oversaw and managed cities at the prefecture level, cities at the lowest level, i.e., county level, were under the leadership of prefectures and equivalent administrative units.

Since the economic reform, the government and city planners in China opted to simplify and streamline the administrative and bureaucratic systems by upgrading the function of cities, particularly cities at the prefecture level, and at the same time downgrading the roles and functions played by non-city prefecture level units. The rationale for such policies, as was perceived by the government, city planners and researchers, was to avoid redundancy and repetitiveness of bureaucratic organizations and personnel. The anticipated result was increased efficiency, particularly economic efficiency, of all administrative units. In fact, the argument that was presented was apparently so strong and compelling that the administrative system of "cities managing counties" was stipulated into the amended Chinese Constitution in 1978 after the Cultural Revolution.[21]

In accordance with the law, the Chinese government started to systematically restructure the administrative systems in 1982. This was done either by merging the prefecture with a major city originally within the prefecture and entitling the combined entities as a city that oversees the territory and population originally under the prefecture. Alternatively the Chinese government replaced prefectures with cities that were authorized with enhanced power. These changes first took place in coastal regions and spread to the inland region over time. In less than two years, the number of prefecture level cities in China had more than doubled from 55 in 1982 to 126 in 1983, this number swelled to 227 by 1998. Meanwhile, the number of prefectures or equivalent units that did not have city status was reduced from 173 in 1978 to 66 in 1998[22]

Although the administrative system of "cities managing counties" is stipulated in the constitution and has been widely promoted and implemented, scholars in China have argued against the indiscriminate application of this practice. In places and areas with certain characteristics such as relatively under-developed or unevenly developed regional economy, vast and complicated geographic conditions, and a mixture of ethnic populations, it is not feasible to implement this model, according to some researchers. The government apparently agrees with such arguments – the practice of cities replacing prefectures has not been

[21] Dai Junliang, *Zhongguo Shizhi* [Chinese Urban System], *op. cit.*
[22] *Ibid.*, pp. 145-148.

universally carried out. In 2005, of the total 333 prefecture level units in China, 283 were identified as cities, which mean that the other 50 were non-city prefectures or equivalent units.[23] Almost all the 50 non-city prefecture level units were located in ethnically diverse regions that tend to be scarcely populated with large geographic territories, including Xinjiang. As a matter of fact only three of the 16 prefecture level regions in Xinjiang obtained prefecture level city status by 2005: the capital city of Urumqi, the oil-producing city of Kelamayi and Shihezi.[24]

Based on the above discussion, it is clear that Shihezi was afforded special treatment by various levels of the government during the series of administrative changes in the 1970s and 1980s. Great caution must have been taken in reorganizing Xinjiang's administrative units by the government, this can be argued as most of the prefecture level units in Xinjiang were not requested to change their status from that of prefecture or equivalent units to that of cities. Shihezi was treated as an exception. Not only did Shihezi upgrade its city status from that of county level to that of prefecture level, but the change took place before even most administrative units in the economically advanced coastal region were able to change their status in line with the new policy and the constitutional stipulation. As a result, Shihezi stands out as one of the three provincial level cities in the urban hierarchy of Xinjiang, the other two cities being the provincial capital, Urumqi, and the major oil-producing city of Kelamayi.

Early Reform Period: 1984 - 2000

Although the XPCC was resurrected to the original structure in 1981, substantially different assumptions and expectation were bestowed upon the new XPCC during the reform era. In addition to the continued tasks of safeguarding the frontier and maintaining the stability of the region, the XPCC was now expected, just like all other state farms in China, to pursue economic efficiency and reform. Resentful as some of XPCC leaders apparently might have felt towards this shift of expectations and subsequent policy changes from the central government,[25] reform was on the agenda and was carried out, although at a much slower pace compared with the rest of the country.

In 1983, the household responsibility system and privatization of land and farming, both leading forces in rural reform, were carried out in 98

[23] National Bureau of Statistics of China, *China Statistical Yearbook, 2005* (Beijing: China Statistics Press, 2005).
[24] Encyclopedia of Xinjiang Editorial Board, *Encyclopedia of Xinjiang, op. cit.*
[25] James D. Seymour, "Xinjiang's Production and Construction Corps, and the Sinification of Eastern Turkestan," *op. cit.*

percent of China's countryside.[26] Shihezi and the Eighth Division started the housing reform and courtyard economy by providing land to farm employees, encouraging them to build residential houses and growing or raising cash crops and other products in areas surrounding their residential houses.[27] The development and success level of courtyard economy varied tremendously from farm to farm and in different years. The average household income from courtyard economic activities in Farm #152, one of the two farms that are part of the city of Shihezi, for example, reached 1,420 Yuan in 1987, but it fell to 457 Yuan the following year, which was a 68 percent drop.[28]

In addition to courtyard economy, in 1988, ten years after economic reform started in China, Shihezi started the responsibility system on agricultural farms by letting individuals or groups contract land through competitive and open bid, in order to induce incentive and increase agricultural efficiency.[29] The results of such policies and efforts were, at best, mixed. Compared with the peer divisions within XPCC, the agricultural productivity level in Shihezi, or the Eighth Division, were not very impressive during the 1990s. The agricultural output value per capita in the Eighth Division's agricultural farms was 4,333 Yuan, 5,259 Yuan and 5,472 Yuan in 1996, 1997 and 2000 respectively. This placed Shihezi in the ranks of numbers 9, 7, and 7 for these three years respectively when all the 10 XPCC agricultural divisions were rank-ordered according to the agricultural output value per capita for these years.[30]

Compared with the reform of agriculture, the economic reform in the industrial sector is equally, or even more, challenging. Shihezi has always been ranked at the top in terms of industrial development amongst all the XPCC divisions due to the disproportionately heavy concentration of XPCC industrial facilities and resources in Shihezi. The industrial output value per capita in Shihezi, for example, was 5,181 Yuan and 5,776 Yuan in 1996 and 1997 respectively, which put Shihezi at the very top among the 10 agricultural divisions. Shihezi's, or the Eighth Division's, total industrial output value of 3.33 billion Yuan in 2000 not only put the city at the top position, but it was more than three times as high as the second highest figure of 1 billion Yuan for the First Division. In other words, the total industrial output value of the First Division, which was

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[26] Thomas Matthew James Cliff, *Neo Oasis: The Story of Xinjiang Bingtuan, from Military-Agricultural Colony to High-Tech Urban Utopia* (The Australian National University MA Sub-Thesis, 2005).

[27] Prior to the early 1980s, all housing for employees on agricultural farms was constructed and provided by the farms. See Ding Weizhi, *Zhongguo Guoqing Congshu – Baixianshi Jingji Shehui Diaocha, Shihezi Juan*, *op. cit.*

[28] *Ibid.*, p. 132.

[29] *Ibid.*

[30] Shihezi Statistical Bureau, 1998 and 2001.

the second highest among the 10 divisions, was only 30 percent of Shihezi's total industrial output value.

On the other hand, when evaluated by the increase of industrial output value per capita compared with the previous year, Shihezi was ranked a consistent number 8 among all the 10 divisions within the XPCC in 1996, 1997 and 2000. That means only two out of the 10 divisions performed more poorly than Shihezi in terms of the increase of industrial output value per capita, which is an indicator of efficiency of industrial productivity, from the mid 1990s to 2000,[31] and most likely throughout the 1990s.[32]

Sluggish performance of some of the major industrial enterprises in Shihezi is a major reason for its stagnant industrial production as a whole. Many companies in Shihezi not only failed to make profits, but they were running in the red for consecutive years. Among the biggest losers were the cotton, wool and sugar refinery factories that were built in the early 1960s that all had the phrase "August 1st" in their names, and that earned Shihezi the title of "key industrial center" during the 1960s. Since the reform, these facilities have been suffering from major problems that many other state-owned companies have experienced in China, including antiquated facilities, a large and redundant labor force with deficient technical training and know-how, structural and organizational deficiencies, mismanagement problems, etc.[33]

Three of the "August 1st" companies, e.g., the A1CWF (cotton weaving factory) the A1SRF (sugar refinery factory) and the A1WWF (wool weaving factory), jointly employed 12,202 people in 1999, which made up close to 20 percent of the total labor force in the city of Shihezi for that year. All three companies performed poorly in their production. The A1CWF, the biggest industrial enterprise in terms of both the number of employees (6,854 in 2000 after a 26 percent cut from 1999) and industrial output value (more than 346 million Yuan in 2000), suffered an average of 12 percent loss of profit from 1996 to 2000 with the biggest loss of 47 percent from 1999 to 2000.[34] Another one of the August 1st factories, the A1WWF, had to cut its labor force by more than three quarters (77.8 percent) between 1999 and 2000 and suffered a 69 percent loss in the total output value, and a 91 percent loss of the profit, in 2000 compared with 1999.[35]

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[31] Shihezi Statistical Bureau, 1998 and 2000. See also, Ding Weizhi, *Zhongguo Guoqing Congshu – Baixianshi Jingji Shehui Diaocha, Shihezi Juan, op. cit.*

[32] *Ibid.*

[33] Andrew Walder, "Sociological Dimensions of China's Economic Transition: Organization, Stratification, and Social Mobility," *Shorenstein Asia-Pacific Research Center (APARC)* (Stanford University, 2003).

[34] Shihezi Statistical Bureau, *Shihezi Social and Economic Statistical Yearbook* 1998 and 2001.

[35] *Ibid.*

According to a government report that examined problems with these factories, Shihezi's or the Eighth Division's industrial enterprises as a whole were running a deficit to such an extent that it surpassed the threshold standard set by the national government to evaluate economic performance of business firms and companies. While acknowledging factors that were beyond the control of the enterprises, such as the unexpected supply-demand imbalance of some of the raw materials, e.g., sugar beet and price fluctuation, the official report harshly pinpointed problems that were imbedded in the companies. It analyzed issues such as mismanagement and other organizational deficiencies that were directly responsible for the economic inefficiency of these industrial enterprises in Shihezi.[36]

Recent Reform Period: 2000 - Present

At the beginning of this century, Shihezi was once again placed at the frontline by XPCC decision makers in their response to the central government's call to develop the Western region of China and implement the Great Western Development Strategy (GWDS). Designed in 1999 by the central government, the GWDS was said to serve the main purpose of stimulating the economic development of the Inland and Western regions in China. It aimed to help narrow the increasing gap between the Coastal region and the rest of the country. Although there are controversies among researchers concerning the feasibility and the way this policy has been implemented[37], the GWDS was stipulated into the 10th and 11th Five Year Plans (2001-2005 and 2006-2010 respectively) for National Economic and Social Development in China. The central government has poured huge amounts of financial resources into the implementation of this project, most notably in building up the infrastructure of the Western region.[38]

The XPCC held numerous conferences in order to orchestrate efforts to implement the GWDS and to take advantage of the opportunities and transform the XPCC into the world's largest corporation of the 21st century. One manifestation of the transformation is an increased urbanization level, as the low level of urbanization was considered a weak point in XPCC's structure and development strategies during the

[36] *XPCC Yearbook Editorial Board*, 2000, pp. 82-83

[37] Li Yuhui and Qian Lipeng, "The Great Western Development Strategy: Controversy and A Case Study of Zhangye, Gansu Province," *China Planning Network (CPN) Conference Proceeding* (2006), pp. 192-201. See also Victor Shih, "Development, the Second Time Around: The Political Logic of Developing Western China," *Journal of East Asian Studies*, 4 (2004): 427-451.

[38] Victor Shih, "Development, the Second Time Around: The Political Logic of Developing Western China," *op. cit.*

last century.[39] The proposed urbanization process of the XPCC in the 21st century consists of two components. One is to systematically build new urban centers to eventually form an urban hierarchy, and the other one is to strengthen and facilitate existing cities, such as the "showcase" city of Shihezi.[40] All XPCC units and departments were called upon to fully support the development of the city Shihezi, the only city in XPCC during the last century. The following is an excerpt from a speech delivered by Mr. Zhang Qingli, the then-commander-in-chief of the XPCC, at the XPCC Conference on Strategic Implementation of the GWDS in February 2000:

> "After decades of opening up and construction, Shihezi has become a showcase of the XPCC. Relatively speaking, it has a strong economic foundation, provides an advantageous investment environment, and has concentrated personnel and human capital resources. The XPCC has therefore decided that from now on, Shihezi will receive disproportionately more attention in our policies, investment, technological development, human resources, and so on. We must adopt effective strategies and mobilize even more resources to help and support the development of Shihezi. All other bureaus/departments and all organizations should be considerate of the grand plans and big pictures and are expected to collectively and actively participate in the development and opening up of Shihezi, so that we contribute our collective efforts to the construction of our showcase and image."[41]

Hence, Shihezi was once again placed in a particularly and strategically significant position to lead the way in fulfilling the ambitious economic advancement plans that the XPCC, Xinjiang and China embraced for the 21st century. Shihezi's economy traditionally based on the process of oasis agricultural and livestock products is gradually giving way to a much more diverse economy to compete in national and international markets of the 21st century. Nearly three quarters of share-holding industries, more than half of private industries and nearly 80 percent of foreign-funded enterprises in XPCC were concentrated in Shihezi in 2006.[42] The disproportionately high share of resources that Shihezi possessed meant it was the perfect candidate to

[39] *XPCC Yearbook Editorial Board*, 2000, p. 30.
[40] *Ibid.*, pp. 10-15.
[41] *Ibid.*, p. 14.
[42] *XPCG Editorial Board Statistical Yearbook*, 2007.

shoulder the mission of helping XPCC to compete in the global market during the 21st century.

One hallmark of the economic development of Shihezi in the 21st century is its Economic and Technological Development Zone (ETDZ). Officially inaugurated in 1994, Shihezi's ETDZ was upgraded to that of the national level, as was approved by the State Council, in April 2000, making it one of the two ETDZs in Xinjiang at this level, the other one being located in Urumqi, the capital city. Since then, the ETDZ in Shihezi has been playing an increasingly important role in Shihezi's economy. For example, in 2000, the gross domestic output value (GDOV) of the ETDZ constituted only 6.5 percent of Shihezi's GDOV, the increased value of industrial development by the ETDZ made up 13.6 percent of that of Shihezi region. By 2005, these two figures jumped to 26.1 percent and 70 percent respectively.[43]

Indeed, the ETDZ seems to have replaced the "August 1st" factories built during the 1960s in spearheading the economy of Shihezi during the 21st century. Numerous large scale industrial projects have been constructed or are under construction in Shihezi's ETDZ in recent years. These include (1) a large-scale chemical plant for products such as calcium and soda;[44] (2) a Chinese Herbal Medicine Hi-tech Industrial Park, a joint project between Shihezi and Peking University Health Science Center, focusing on planting, processing and marketing of desert herbs;[45] and (3) A comprehensive textile base that covers the complete process of textile-related activities from cotton production, weaving, dyeing, to textile manufacturing and marketing.[46]

In spite of all these recent advancements in investment and technological development, particularly in the ETDZ, Shihezi's economic performance as a whole does not seem to have improved significantly since 2000, particularly in comparison with other divisional units of the XPCC. Two Chinese scholars, for example, have developed an index to show the overall economic performance of the 14 XPCC

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[43] Ma Xinping, "Dui Jiakuai Xinjiang Shihezi Jingji Jishu Kaifaqu Fazhan de Zhanlue Sikao [Strategic Considerations to Speed up the Development of Shihezi's Economic and Technological Development Zone, Xinjiang]," *Eluosi Zhongya Dongou Shichang (The Market of Russia, Central Asia and Eastern Europe)*, 8 (2006): 4-8.

[44] "Tianye Starts Building Its Chemical City," *SinoCast China Business Daily News*, April 29, 2004, <http://proquest.umi.com/pqdlink?did=625921141&sid=2&Fmt=3&clientId=11223&RQT=309&VName=PQD> (January 15, 2010).

[45] "Shihezi to Build the largest Industrial Centre for Desert Herbs," *SinoCast China Business Daily News*, January 22, 2003, <http://proquest.umi.com/pqdweb?did=283610171&Fmt=3&clientId=11223&RQT=309&VName=PQD> (January 15, 2010).

[46] Ma Xinping, "Dui Jiakuai Xinjiang Shihezi Jingji Jishu Kaifaqu Fazhan de Zhanlue Sikao, *op. cit*. See also, "Shihezi to Construct Textile Base," *SinoCast China Business Daily News*, April 22, 2004, <http://proquest.umi.com/pqdlink?did=625942841&sid=3&Fmt=3&clientId=11223&RQT=309&VName=PQD> (January 15, 2010).

divisional units in 2003.[47] Their findings show that the Eighth Division, with a score of 2.716 on the composite index scale, that they have developed, ranked number 6, suggesting that Shihezi was not among the best performing divisions in the XPCC in terms of overall economy. Furthermore, there is a huge deviation among the index scores for the various divisions. The highest score of 23.148 achieved by the First Division, for instance, is almost 9 times as high as Shihezi's score.[48] This study also analyzes the increased value of GDP for the XPCC as a whole as well as for individual divisional units. On average the XPCC experienced a 16.97 percent GDP increase and six of the fourteen divisional units achieved an above average GDP increase, the Eighth Division was not one of them. That means Shihezi's GDP increase was below the average among the divisional units of XPCC in 2003.[49]

While struggling to overcome the difficulties in economic reform, Shihezi was nevertheless on its way to becoming a modern and a model city, facilitated by a series of events orchestrated by the state during the 1990s. One event was the XPCC being upgraded by the State Council from the status of reporting to the dual authorities of the XUAR and the central government to a "Stand-Alone Planning Unit." This meant the XPCC was in a parallel position with the provincial government and would report directly to the central government. It was also in the 1990s that the Xinjiang Newly Founded Corporation (*xinjian jituan*) was founded. It was an XPCC organization whose mission is to help stimulate the economic development of the XPCC in the local, national and global economy. With the inception of this organization, it was apparent that there was a significant shift in the long-held dual expectations of Xinjiang *junkenJunken*, i.e., security and economic self-sufficiency. Now that the cold war was over, the military component of the XPCC's mission seemed reduced, or was shifted from border defense to internal stability. This internal stability was now tied to regional economic prosperity, which was yet another reason for the government to expect the XPCC's fuller scale of participation in Xinjiang's economic development. This shift of expectation and self-manifestation can even be seen from the way the organization presents itself through official publications. Recent statistical yearbooks refer to the organization as Xinjiang Production & Construction Group (XPCG), rather than XPCC.[50]

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[47] The XPCC restructured its organization in 2000 and, as a result, increased the number of divisions from 10 to 14, including thirteen regular divisions plus a construction division.
[48] Li Yuxin and Li Xiaoju, "Xinjiang Bingtuan Quyu Jingji Fazhan Shuiping Chayi de Shizheng Fenxi [Data Analysis of Variation of the Level of Regional and Economic Development of XPCC]," *Jingji Shi* [Economics Information], 5 (2006): 268-269.
[49] *Ibid.*
[50] *XPCG Editorial Board Statistical Yearbook*, 2007.

Concluding Remarks

Shihezi was designed and shaped mostly by forces from higher authorities to help implement policies that the government had engineered. This has been the case in the founding of the XPCC town in the 1950s, the creation of the industrial center in Xinjiang during the 1960s, the confirmation and then upgrade of the city status during the 1970s and early 1980s, the participation in the economic reform throughout the 1980s and the 1990s, and the designation and promotion of the "showcase city" during the campaign of GWDS in the 21st century.

For the most part, Shihezi has fulfilled the expectations of the state. Over the last fifty some years, Shihezi has grown to become an internationally recognized model city with a prefecture level status and a national level ETDZ. Indeed, Shihezi stands out as a modern city in Xinjiang with a strong economic base and many other favorable characteristics including a sound social and physical environment and a well-planned and well-maintained infrastructure.

On the other hand, discounting the ten-year Cultural Revolution, Shihezi had relatively more smooth sailing in her journey during the pre-reform years compared with the post-reform period. The biggest challenge lies in the area of economic reform, particularly the reform of traditional economies such as agriculture and state-run manufacturing industries, as the above discussion has suggested. The reform has brought a gradual but significant shift to Shihezi's economic landscape, with the ETDZ playing an increasingly greater role, as opposed to the traditional agriculture and manufacturing industries, in the economic structure.

It is through careful design and decades of intense nurturing that the showcase city of Shihezi has become an internationally known model city. It is safe to argue that the disproportionately large amount of support and endorsement, financial and otherwise, that Shihezi has received from the provincial and central government is possible only in a militarized and centralized organization like the XPCC. With the intensity of the reform and market forces and the weakening of the militarization and state control in the XPCC, Shihezi may not be able to receive as much "preferential" treatment in the future as it has in the past, it may have to compete with other divisions and units for resources. Furthermore, in the study of change and development of Shihezi, one should not lose sight of the larger context in which Shihezi and the XPCC both have to be situated. Environmental issues and the racial and ethnic tensions in Xinjiang are just two examples of factors that will inevitably influence the future development of Shihezi.

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Sustaining the Dragon, Dodging the Eagle and Barring the Bear? Assessing the Role and Importance of Central Asia in Chinese National Strategy

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ABSTRACT

This paper assesses the role and importance of Central Asia to China within the context of Chinese grand strategy. It highlights the importance of the region in terms of providing access to energy and strategic mineral resources; the military-strategic significance of Central Asia including its role as a complement to Chinese maritime strategy; and its importance within Sino-Russian relations, in particular due to the dual cooperative-competitive context of the Sino-Russian relationship. The impact of the latter on the development of the Shanghai Cooperation Organization and Chinese perspectives on its future role is also considered. The paper also examines the implications for China of Central Asia's emergence as a critical geo-economic and geo-strategic nexus between itself, Russia and the West. This paper concludes with the assessment that Central Asia constitutes both a strategic priority for China in economic, diplomatic and security terms and a potential source of challenge to Chinese interests.

Keywords • Chinese grand strategy • Energy Security • Chinese Maritime Strategy • Sino-Russian Relations • Central Asia • Shanghai Cooperation Organization

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Introduction

Central Asia constitutes an area of strategic importance for China. This is due to the region's position on China's western flank; the presence of substantial hydrocarbon and strategic mineral resources; its role within the wider Sino-Russian relationship; and its position as a land-bridge that could serve as a vehicle for increasing Chinese influence in the Middle East and Europe. At present, Central Asia also provides the primary focus for the Shanghai Cooperation Organization (SCO)[1] and thus a testing ground for Chinese multilateral diplomacy. At the grand strategic level, Chinese interests and imperatives in Central Asia are reflective of wider fundamental Chinese interests. This is particularly the case with regard to energy security, the preservation of the ethnic "buffer zone" regions, for example, Xinjiang, and the prevention of Chinese "encirclement," in particular vis-á-vis the United States. In this context, Xinjiang serves simultaneously as a bridgehead for projecting Chinese influence into Central Asia and as a bulwark against Uighur and pan-Turkic nationalism and separatism,[2] whilst also constituting the hub for oil and gas imports from Central Asia and hosting strategic military facilities.[3] This forms the basis for the objective of securing China's western flank and provides the context for Chinese diplomatic, military-strategic, and to an extent, economic, engagement with the regional states of Central Asia and Russia.

Following the demise of the Soviet Union, China moved rapidly to recognize diplomatically the newly-independent states of Central Asia and through the 1990s, to engage with the post-Soviet states, including Russia, to resolve outstanding territorial disputes.[4] This process served as the basis for the subsequent establishment of the Shanghai Cooperation Organization. It also shaped the framework for Sino-Central Asian/Russian relations on terms favorable to China. That is, China sought to engage Russia on terms that enabled it to develop its position in Central Asia without drawing a negative Russian response and reducing the potential for outside, in particular U.S. or/and Western, involvement

[1] See Stephen Blank, "Peace-Mission 2009: A Military Scenario Beyond Central Asia," *China Brief* 9, 17 (August 20, 2009), for a discussion of the role of the SCO in potential contingencies vis-á-vis North Korea.
[2] Michael Clarke, "China's Integration of Xinjiang with Central Asia: Securing a "Silk Road" to Great Power Status?" *China and Eurasia Forum Quarterly* 6, 2 (2008), pp. 89-111.
[3] Vladimir Paramonov and Oleg Stolpovski, "Chinese Security Interests in Central Asia," *Central Asian Series* (Advanced Research and Assessment Group: Defence Academy of the United Kingdom), 08/20 (E), May 2008, p. 8.
[4] *Ibid*., pp. 3-4.

in the region.[5] However, the cooperative element of Sino-Russian relations is tempered by an inherent competitive dynamic and continuing doubts on both sides vis-á-vis the long-term intentions of the other. This is exacerbated by the scenarios underpinning military exercises held by Russia and China respectively such as "Tsentr 2008," held jointly with Kazakhstan against a notional invasion of the latter and culminating with the simulated use of strategic nuclear forces,[6] and "Northern Sword 2005," a Chinese exercise against a notional northern adversary[7].

In military-strategic terms, Central Asia is significant to Chinese strategy for two reasons. First, the states of Central Asia constitute China's western flank and share ethnic links to Xinjiang. In this context, Central Asia constitutes a potential source of secessionist forces vis-á-vis Xinjiang and via the hosting of a major power, a potential threat to strategic installations in Xinjiang and China more broadly. Further, due to the increasing importance of Central Asia in terms of enhancing Chinese energy security, the security and stability of Central Asia is of increasing importance in respect to Chinese economic development. Secondly, based on the aforementioned increasing importance of Central Asia in terms of access to energy and its position on China's western flank, the region can serve as a complement to Chinese maritime strategy. The increasing dependence on sea lines-of-communication, in particular for energy imports, is stimulating debate on the requirements for the long-term development of the People's Liberation Army Navy, including the degree to which it should be a "blue-water" navy.[8] In this regard, the development of energy import links with Central Asia aids in mitigating the total extent of China's dependence on maritime imports. In addition, the securing of China's western flank enables it to maintain its current eastward focused military posture, prioritize the development of power-projection capabilities and enhance China's position in the western Pacific and South China Sea.[9]

In general terms, the role of Central Asia in Chinese grand strategy is to serve as a means toward certain objectives; for example, enhancing energy security and access to strategic raw materials, "containing" Russia and minimize external influences on the western flank, and enable it to focus on the Asia-Pacific. It is important as the extent of Chinese success

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[5] Ablat Khodzhaev, "The Central Asian Policy of the People's Republic of China," *China and Eurasia Forum Quarterly* 7, 1 (2009): 9-28.

[6] "The Report of the Minister of Defence of the Russian Federation at the Expanded Session of Board [sic] of the Ministry of Defence of the Russian Federation," March 17, 2009.

[7] Via personal communication with a Russian diplomatic source, 2006.

[8] Andrew Erickson and Lyle Goldstein, "Gunboats for China's New 'Grand Canals'?" *Naval War College Review* 62, 2 (2009): 43-76.

[9] James Bosbotinis, "Assessing China's Naval Development: Strategy. The Taiwan Factor and Regional Implications," *Strategic Insights* 17 (2009): 7-12.

or failure in Central Asia will significantly contribute toward the shaping of China's wider international position, including that of whether it emerges as a "Great Power".

The Strategic Central Asian Context

Central Asia is an increasingly significant focal point for the strategic interests of Russia, China, the West, Iran and India. This is due in part to the region's geo-economic value, but also its geo-strategic position. The region constitutes Russia's southern flank, China's western flank, Iran's northern flank, and an eastern horizon for the West and northern horizon for India.[10] The multi-lateral system of relations between the regional states and extra-regional powers, plus between the regional states and outside powers themselves, is complex, interlinked with geopolitical and strategic imperatives and can be simultaneously cooperative and competitive. This is evident in Sino-Russian relations. The principal dynamic influencing the strategic Central Asian context is the set of relationships between the regional states and the three core extra-regional powers active in the region; Russia, China and the U.S./West. In addition, there exists the common Sino-Russian interest in countering increasing Western "encroachment" into Central Asia and assisting the local regimes in maintaining their positions of power, in particular with regard to the threat of "color" revolutions.[11] This is reflective of a further common Sino-Russian interest in maintaining stability in the region and to an extent, the existing status quo, albeit with reduced Western influence; this being demonstrated by the SCO's position against the "three evils" of extremism, separatism and terrorism. However, despite the commonality of interests in major components of their respective strategies toward Central Asia, there also exist competitive and confrontational tendencies. This is due to the role and importance of Central Asia within both Russian and Chinese grand strategy. This is further complicated by the importance the West attaches to Central Asia, especially due to its links to ongoing operations in Afghanistan. In addition, at present, China does not wish to be drawn into the deteriorating Russo-Western relationship as a "belligerent", preferring instead to maintain balanced relations with both parties.

[10] James Bosbotinis, "The Caspian-Central Asian Energy Market: Dynamics, Actors and Strategic Context," Lecture to the Centre for Energy, Petroleum and Mineral Law and Policy (University of Dundee, UK), November 13, 2008.
[11] Marlène Laruelle and Sébastien Peyrouse, *China as a Neighbor: Central Asian Perspectives and Strategies* (Washington D.C.: The Central Asia-Caucasus Institute and Silk Road Studies Program, 2009), pp. 28-29.

The contemporary strategic environment in Central Asia has been compared to the nineteenth century Anglo-Russian "Great Game"[12]; this analogy is appropriate due to the range of actors and competing interests involved in the regional system. This is especially apposite with regard to the trilateral relationship between Russia, China and the U.S./West and the increasing reassertion of Russian "primacy" in the former Soviet Union.[13] The Russian perspective on Central Asia provides both opportunities and challenges to China. Russia views Central Asia as a component of its exclusive sphere of influence due to its former Soviet status, and being situated on Russia's southern flank, a buffer zone against threats (in particular Islamist extremist and external powers) to Russian security. Further, the reassertion of Russian influence over the Central Asian states is perceived to be of critical importance vis-á-vis Russia's broader resurgence.[14] In the longer-term, this may result in tensions between Beijing and Moscow as the latter seeks to ensure the preeminence of the regional institutional architecture it has created; in particular the Eurasian Economic Community and Collective Security Treaty Organization, over other frameworks, that is, the SCO.

The relationship between Beijing and Moscow, vis-à-vis Central Asia, will be of central importance in determining the degree of freedom-of-maneuver China will have in the international system in the long-term. Due to the multifaceted regional environment, were there to be a significant deterioration in relations between Russia and China without a concomitant shift in the relative balance-of-power between the two, there would be the risk that China's interests in Central Asia could become a constraint on its ability to operate elsewhere. That is, although Central Asia is not the most significant region of interest for China, it is important enough to demand major attention, in particular, if the region is either aligned with a hostile power, or contested between a number of competing powers. In this context, deterioration in relations between Russia and China, combined with the presence of other actors in the region – including major peer competitors to China (Japan, South Korea, India), could reduce China's strategic room-for-maneuver.

China's Geo-economic Interests in Central Asia

The development of trade and commercial links with the states of Central Asia serves both Chinese economic and strategic interests. This involves the utilization of economic means to serve strategic ends, in

[12] Xuanli Liao, "Central Asia and China's Energy Security," *China and Eurasia Forum Quarterly* 4, 4 (2006): 61-69.
[13] For example, see the *National Security Strategy of the Russian Federation until 2020* (2009).
[14] Vladimir Paramonov and Aleksey Strokov, "The Evolution of Russia's Central Asia Policy," *Central Asian Series* (Advanced Research and Assessment Group: Defence Academy of the United Kingdom), 08/21 (E), June 2008.

particular with regard to the development of energy and commodity-trade relationships with key producers and states. This approach involves China gaining access to energy and strategic commodity resources whilst securing political and economic influence over the supplier state.

In the Central Asian context, China is establishing significant economic relationships with key states; that is, states with substantial energy and/or commodity resources, both as a means of securing economic objectives and wider geopolitical and strategic objectives. Due to the legacy of Soviet rule, Russia maintains a substantial capacity for influencing the states of Central Asia across the economic, political and military spectrums. However, due to the extensive energy and commodity resources in the region, the desire of some of the regional states to pursue "multi-vector" foreign policies, and its own significant economic resources – particularly its large capital reserves and credit funds,[15] China is creating a sphere-of-influence within Central Asia that is independent of Russia. This is being achieved via the development of and an emphasis on, economic and trade linkages. The pattern of Chinese trade with the states of Central Asia is that of an importer of raw materials and unfinished products, and an exporter of finished products[16]; further, despite China only gaining access to the post-Soviet Central Asian market in the early 1990s, the balance of trade between China and Central Asia, and Russia and Central Asia is now comparable.[17]

In addition, as Paramonov discusses, the terms of trade between China and Central Asia are more beneficial to the former and may reduce the latter to "raw materials appendages of the Chinese economy".[18] This establishes the context within which an economic lever becomes a political instrument. Blank suggests; "China ... engenders a mutually-profitable but dependency-inducing long-term relationship";[19] that is, China gains an almost quasi-monopsonistic position vis-á-vis the regional states, due to the latter's dependency on the Chinese market for exports, imports and finance. For example, the government of Tajikistan accepted an interest-free loan for several million dollars from China in

[15] "Kazakhstan: A Chinese Loan," *Stratfor.com*, April 17, 2009.
[16] Vladimir Paramonov, "China & Central Asia: Present & Future of Economic Relations," *Central Asian Series* (Conflict Studies Research Centre: Defence Academy of the United Kingdom), 05/25 (E), May 2005.
[17] Vladimir Paramonov and Aleksey Strokov, "Economic Involvement of Russia and China in Central Asia," *Central Asian Series* (Conflict Studies Research Centre: Defence Academy of the United Kingdom), 07/12 (E), May 2007.
[18] Vladimir Paramonov, "China & Central Asia: Present & Future of Economic Relations," 2005.
[19] Stephen Blank, "Chinese Energy Policy in Central and South Asia," *Korean Journal of Defense Analysis* 2, 4 (2009): 435-453.

2007, with an accompanying political cooperation agreement which included a proviso not to recognize Taiwan.[20]

The development of long-term relationships is central to Chinese policy concerning Central Asia. This is because China's objectives in Central Asia are not an end in themselves, but rather, contributing toward wider national objectives. These objectives include; the attaining of energy security through diversified source and supply; the addressing of the "Straits of Malacca dilemma" and the security of Chinese sea lines-of-communication; the security of China's western flank and suppressing of separatist tendencies in the Xinjiang-Uighur Autonomous Region. Of particular importance to Chinese interests in Central Asia are Kazakhstan and Turkmenistan. Both states have substantial hydrocarbon reserves, are located in strategically significant geographical positions and have some, albeit limited, freedom-of-maneuver vis-á-vis Russia.

Kazakhstan holds the most importance in terms of the states of Central Asia. It is the largest of the regional states, occupies a central position in the region and has substantial oil and gas reserves and deposits of strategic raw materials, in particular, uranium. With regard to China, Kazakhstan also constitutes a bridge to the Caspian Sea, a potential buffer with Russia and a host of Uighur diaspora.[21] China's principal interests in Kazakhstan are centered on access to the country's hydrocarbon and uranium resources, integrating transportation and transit infrastructure (national and regional) with Xinjiang and consolidating political influence in Astana. To this end, China is investing in Kazakh road and rail infrastructure and in the construction of oil and gas pipelines linking Kazakh hydrocarbon resources to the Chinese market. This most notably included construction of the Atyrau-Atasu-Alashankou oil pipeline which in 2009 carried six million tons of oil to China,[22] and the newly-inaugurated Central Asia Natural Gas Pipeline.[23] This pipeline transports natural gas from Turkmenistan, via Uzbekistan and Kazakhstan to China; it will carry thirty billion cubic meters of Turkmen and Kazakh natural gas per annum.[24]

Further, the Chinese nuclear company, China Guangdong Nuclear Power Group, has entered into a joint venture with the Kazakh national nuclear power company Kazatomprom for the construction of nuclear power plants in China, and for the supply of 24,000 tons of uranium from

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[20] *Ibid.*, p. 440.

[21] Vladimir Paramonov and Oleg Stolpovski, "Chinese Security Interests in Central Asia," *op. cit*.

[22] "Oil shipment via Atasu-Alashankou exceeds 6 mln [sic] tons since early 2009," *Kazinform*, November 4, 2009, <http://www.inform.kz/eng/article/2209774> (November 10, 2009).

[23] "China: A Strategic Pipeline to Central Asia," *Stratfor.com,* December 14, 2009.

[24] James Bosbotinis, "The Caspian-Central Asian Energy Market: Dynamics, Actors and Strategic Context," *op. cit*.

Kazakhstan by 2020.[25] The three aforementioned investments are indicative of the importance China attaches to Kazakhstan especially with regard to Chinese efforts to enhance its long-term energy security. In addition, although not explicitly stated, such investments in Kazakhstan reduce the preponderance of Russian influence in Astana and the region more generally. This is due to Kazakhstan's position as the hub for Chinese connecting infrastructure linking Central Asia and Xinjiang, and in the longer-term, wider maritime-based connections via the Pakistani port of Gwadar.

The current role of Turkmenistan is principally that of exporting natural gas to China via the Central Asia Natural Gas Pipeline. This pipeline however also serves as a potential foundation for conferring upon Turkmenistan hub status connecting Chinese energy infrastructure in Central Asia with projected linkages to the Indian sub-continent and the Middle East. A Turkmenistan-Afghanistan-Pakistan natural gas pipeline has been discussed,[26] but is contingent on the security situation in Afghanistan. In addition, China has commenced investments in Afghan energy and mineral resources[27] and is looking at the development of pipelines linking Afghanistan to China and potentially Pakistan and the port of Gwadar.[28] Furthermore, Chinese interest in developing a Gwadar Port Energy Zone including an oil refinery and other facilities, thus allowing the port to serve as the hub for a network of Chinese energy interests in the Middle East and Africa and bypassing the Straits of Malacca.[29] That is, the role of Turkmenistan would be to articulate the Gwadar hub for maritime-based energy imports with the Central Asian energy infrastructure connecting it to Kazakhstan and Xinjiang.

In this context, China's economic objectives in Central Asia and whether they are successfully attained will have a significant influence on the development of Chinese military-strategic planning, in particular with regard to the trajectory of Chinese maritime strategy. This is especially so concerning the potential role and importance of Gwadar as an energy hub for Chinese energy imports from the Middle East and Africa, and as a connector to Central Asian infrastructure.

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[25] "China, Kazakhstan: Nuclear Power Deal Agreed," *Stratfor.com,* April 30, 2009.
[26] Amin Tarzi and Daniel Kimmage, "Pipelines or Pipe Dreams?" *Radio Free Europe / Radio Liberty*, February 18, 2005, <http://www.rferl.org/content/article/1057542.html> (February 26, 2005).
[27] For example, see Russell Hsiao and Glen E. Howard, "China Builds Closer Ties to Afghanistan Through Wakhan Corridor," *China Brief* 10, 1 (2010).
[28] Stephen Blank, "Chinese Energy Policy in Central and South Asia," *op. cit.*
[29] *Ibid.*

The Military-Strategic Significance of Central Asia

The military-strategic and security environment in Central Asia is of major importance to China and likely to increase significantly in the mid-to-long term. At present and since the end of the Cold War, there is no direct military threat to China emanating from Central Asia. There are, however, security challenges such as those posed by Islamist elements (including potential spillover from Afghanistan) and secessionist/separatist elements within the Uighur diaspora.[30] There is also an increasing presence of states in the region which are, or may in the long-term be, rivals to China and thus constitute a potential challenge to Chinese interests; in this context, Russia, the United States and India are of most concern.

The principal focus for enhancing China's position in Central Asia has, as discussed above, been economic. This is due to two main factors. Firstly, China has sought to avoid the expansion of its geopolitical influence being too explicitly associated with an increasing military-security presence outside its borders as per the doctrine of "peaceful rise". Secondly, and connected with the first point, in Central Asia, due to the Soviet legacy, Russia is the principal military power in the region, both by virtue of its own capabilities, the dependence of the Central Asian states on ex-Soviet military equipment and the continuing institutional influence of Russia, via, for example, officer training. China has thus tended to focus its efforts on developing bilateral economic links and deferring to Russia on questions and matters relating to military and security issues in Central Asia.[31]

The current limited (both in scope and ambition) extent of China's security involvement in Central Asia is likely to change as the region increases in importance to Beijing, and especially if the Gwadar Port Energy Zone, and associated connections to Central Asia, is developed. This is because a notional Pakistan-Central Asia-Xinjiang energy corridor would contribute significantly toward enhancing Chinese energy security and reduce China's dependence on maritime traffic transiting the Straits of Malacca. The security of sea lines-of-communication is a particular concern for Chinese military strategy; especially due to China's naval inferiority vis-à-vis the United States, and increasing maritime competition/rivalry in North-east Asia.[32] This is promoting an increasing interest in developing a sufficient naval capacity for defending extended sea lines-of-communication. This is particularly apposite when

[30] Vladimir Paramonov and Oleg Stolpovski, "Chinese Security Interests in Central Asia," *op. cit*.
[31] Marlene Laruelle and Sebastien Peyrouse, *China as a Neighbor: Central Asian Perspectives and Strategies*, *op. cit*.
[32] Geoffrey Till, *Seapower: A Guide for the Twenty-First Century* (Second Edition, Abingdon: Routledge, 2009), pp. 322-349.

it is considered that 85 percent of Chinese oil imports transit the Straits of Malacca, and that China imports half of its total oil needs, in excess of 7.7 million bpd.[33]

The current central focus for Chinese military strategy and development is on preparing for a possible conflict in the Taiwan Strait and if necessary, deterring or defeating a potential U.S. intervention.[34] The Chinese Armed Forces are also positioned for potential contingencies on the Korean peninsula, the South China Sea and vis-á-vis India and the disputed regions of Kashmir and Arunachal Pradesh. This gives the Chinese military, for the most part, an eastward orientation. Xinjiang, which is part of the Lanzhou military region, does host strategic facilities which are of significant importance. This includes the Lop Nor nuclear-test base, detection and tracking radars covering Central Asia and China's northern border,[35] two regiments of H-6 long-range nuclear-capable bomber/stand-off missile launchers (half the total force),[36] and potentially, a ground-based anti-satellite laser system situated in the Tianshan mountains.[37] At least twelve DF-15D guided-tactical ballistic missile tractor-erector-launchers have also recently been deployed to Xinjiang as part of a new heavy mechanized corps.[38] This is indicative of an increasing Chinese intention and capacity for undertaking a proactive, and potentially interventionist, role in Central Asia. The deployment of a heavy mechanized corps in Xinjiang, including guided-tactical ballistic missiles, would provide the People's Liberation Army (PLA) with a substantial conventional war-fighting capability and means of projecting power into Central Asia. Martin Andrew has compared the 70,000-strong PLA corps with a Soviet Operational Maneuver Group;[39] this force would also in many respects, establish conventional military superiority over the Russian forces assigned to Central Asia. The enhancement of conventional PLA forces in Xinjiang has been accompanied with a concomitant shift in doctrine for the employment of those forces.[40] The restructured force is intended to operate as a combined arms grouping, and conduct rapid-paced,

[33] Andrew Erickson and Lyle Goldstein, "Gunboats for China's New 'Grand Canals'?" *op. cit*.
[34] "Military Power of the People's Republic of China 2008," *Annual Report to Congress* (Office of the Secretary of Defense: 2008).
[35] *The Military Balance 2009* (London: International Institute for Strategic Studies: 2009) p. 382.
[36] *Ibid.*, p. 386.
[37] Duncan Lennox, "Protection of satellites is the new race in space," *Jane's Defence Weekly* 46, 43, (2009), p. 24.
[38] Martin Andrew, "China's Conventional Cruise and Ballistic Missile Force Modernization," *China Brief* 10, 1, (2010).
[39] Martin Andrew, "PLA Doctrine on Securing Energy Resources in Central Asia," *China Brief* 6, 11, (2006).
[40] *Ibid*.

offensive operations deep into an adversary's territory. Andrew compares this to *Operation Desert Storm* and cites a notional Chinese employment of the force to secure oilfields in Kazakhstan.[41] This operational employment concept is akin to the scenario that the Russo-Kazakh forces in the aforementioned "Tsentr 2008" exercise sought to counter.

In the above context, a discernible shift in Chinese strategy, that is, the projection of military power into a region in order to secure critical energy supplies is evident. This imperative is also an important component of China's evolving maritime strategy. Although landlocked, Central Asia has a complementary and supporting role in Chinese maritime strategy. This is based on three principal factors. First, China is dependent on maritime trade for its economic development; its naval capabilities are limited and at present focused on Taiwan-centric contingencies and the South China Sea.[42] China thus does not yet have sufficient naval capacity to also defend its sea lines-of-communication. Second, the U.S. is a potential adversary and thus China's vulnerability to a U.S. Navy campaign against its maritime trade, especially energy imports, has to be accounted for.[43] In this case, land-based oil and gas pipelines provide a means of militating against China's vulnerability to U.S. naval interdiction. Growing from the globalization of Chinese economic interests is the realization of the requirement for globally-capable armed forces, in particular naval forces.[44] That is, developing the means to protect sea lines-of-communication. 95 percent of China's sea-borne oil imports are from the Middle East and Africa,[45] and these shipments have to cross the Indian Ocean en route to China; thus, an increasing Chinese interest in having the means to defend its maritime trade interests necessitates the ability to maintain a presence in the Indian Ocean Region. This will be even more so, should the Gwadar Port Energy Zone be developed. China is developing a presence in the Indian Ocean Region via a network of friendly ports - the "string of pearls",[46] its naval deployment to the Gulf of Aden, and has expressed an interest in explicitly establishing a naval base in the region.[47] This provides the basis for the third factor linking Central Asia and Chinese maritime strategy, namely, the Sino-Indian rivalry.

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[41] *Ibid*.
[42] James Bosbotinis, "Assessing China's Naval Development: Strategy, the Taiwan Factor and Regional Implications," *op. cit*.
[43] Andrew Erickson and Lyle Goldstein, "Gunboats for China's New 'Grand Canals'?" *op. cit*.
[44] Geoffrey Till, *Seapower: A Guide for the Twenty-First Century*, *op. cit*., pp. 325.
[45] Urmila Venugopalan, "Harbouring Ambitions: China Invests in Indian Ocean Ports," *Jane's Intelligence Review* 21, 11 (2009): 28-33.
[46] See map in James Bosbotinis, "Assessing China's Naval Development: Strategy, the Taiwan Factor and Regional Implications," *op. cit*., p. 11.
[47] "China: Naval Base Proposed in Gulf of Aden," *Stratfor.com*, December 30, 2009.

In spite of increasing economic and trade links, China and India remain rivals. This is due to, for example, ongoing border disputes, China's support for Pakistan, and general concerns vis-á-vis each others' respective intentions and actions. The increasing Chinese interest, and presence in the Indian Ocean is thus of major concern to India[48] and a stimulus for Indian military, particularly naval, modernization. In this context, the need for China to reduce the volume of energy imports transiting the Indian Ocean increases, so to reduce vulnerability to Indian naval interdiction. This however, places an increased importance upon developing the Gwadar Port Energy Zone which is also vulnerable to Indian action, thereby necessitating an increased Chinese presence in the western Indian Ocean region and support for Pakistan. This would further exacerbate Indian concern. The role of Central Asia in this nexus of Sino-Indian rivalry, Chinese maritime strategy and energy security is therefore twofold. Firstly, in order to reduce vulnerability to Indian naval interdiction, land-based oil and gas pipelines linking Central Asian hydrocarbons to the Chinese market provide a supplemental source of supply; Central Asian energy infrastructure is also intended to provide the link between Middle Eastern and African sources of supply via the notional Pakistan-Afghanistan-Turkmenistan corridor. Second, due to China's dependence on the Indian Ocean Region as a critical transit area for its energy supplies – either by sea or the projected Gwadar terminal, a Chinese military presence in the region, and thus an Indian response, is necessary. In this regard, China's increasing presence in Central Asia provides Beijing with a northern component of a potential "containment strategy" vis-á-vis Delhi; whilst military assets deployed in the Lanzhou and Chengdu military regions[49] provide a means of projecting power into the Indian sub-continent.[50]

Central Asia, Sino-Russian Relations and the SCO

The Central Asian context of Sino-Russian relations, as with the broader relationship between the two powers, is complex. Both China and Russia have mutual interests in the region, in particular with regard to minimizing Western, especially U.S., influence; securing on favorable terms, access to hydrocarbon and mineral resources; and ensuring a stable regional politico-security environment. The latter includes the continuation in power of "strong" authoritarian regimes and the

[48] Geoffrey Till, *Seapower: A Guide for the Twenty-First Century*, *op. cit.*, p. 328.
[49] See "Military Power of the People's Republic of China 2008," *Annual Report to Congress* (Office of the Secretary of Defense: 2008), pp. 51 and 53 for major ground and air force units in the respective military regions.
[50] For a discussion of Chinese military capabilities from an Indian perspective, see Pravin Sawhney, "The Red March: PLA Builds Capabilities in Tibet," *Chinese Military Update* (RUSI) 2, 4 (2004): 8-12.

controlling of political opposition.[51] This commonality of interests serves as the basis for Sino-Russian cooperation in Central Asia and is most significantly demonstrated by the Shanghai Cooperation Organization. The SCO, and its antecedent the Shanghai Five grouping,[52] provides a mechanism within which China can pursue those interests it shares with Russia and the Central Asian states themselves, that is, principally separatism, extremism and terrorism, in a context that China has significant influence over. The SCO also provides a means, in particular via the Regional Anti-Terrorist Structure, by which China can strengthen security ties with Central Asia and Russia, thus serving the Chinese objective of enhancing security in Xinjiang.[53] The benefit of this approach is that it does not ostensibly rival Russia's position in the regional military-security system. Furthermore, the SCO "label" provides both Russia and China with an increased "respectability" for military activities they may wish to undertake that are potentially controversial. In this regard, Blank cites the possibility of a joint Sino-Russian military operation in response to instability in North Korea under the auspices of the SCO;[54] an expansion of the SCO's mandate to include maritime security operations, via, for example, the coordination of the respective Chinese and Russian deployments in the Gulf of Aden, is reportedly also under consideration.[55]

Due to the aforementioned importance of land-based oil and gas pipelines as a means of reducing dependence on sea lines-of-communication, positive Sino-Russian relations are a pre-requisite for the security of China's Central Asian sources-of-supply. As a further step to reinforce its energy security, China has sought to establish an energy relationship with Russia. This is centered on the construction of the Eastern Siberian Pacific Ocean (ESPO) pipeline which will include a branch linking Russian supplies to the Chinese market via a terminal in Daqing. China will receive 15 million tons of oil per annum from Russia

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[51] Marlene Laruelle and Sebastien Peyrouse, *China as a Neighbor: Central Asian Perspectives and Strategies*, *op. cit*., pp. 28- 29.

[52] For an overview of the development of the Shanghai Five and its subsequent evolution into the SCO, see; Henry Plater-Zyberk, "Who's Afraid of the SCO?" *Central Asian Series* (Conflict Studies Research Centre: Defence Academy of the United Kingdom), 07/09 (March 2007); and Vladimir Paramonov and Oleg Stolpovski, "Chinese Security Interests in Central Asia," *op. cit*.

[53] Nadine Godehardt and Wang Pengxin, "Peace Mission 2009: Securing Xinjiang and Central Asia," *RSIS Commentaries*, September 2009.

[54] Stephen Blank, "Peace-Mission 2009: A Military Scenario Beyond Central Asia," *op. cit*.

[55] Via personal communication with a diplomatic source, August 2009. Subsequently, a joint counter-piracy exercise involving Russian and Chinese warships in the Gulf of Aden was conducted; see "Russia, China conduct anti-piracy exercises in Gulf of Aden," *RIA Novosti*, September 18, 2009, <http://en.rian.ru/world/20090918/156174185.html> (March 10, 2010).

from 2011-2034.[56] The main pipeline is intended to proceed to a terminal at Kozmino Bay to enable overseas exports, albeit, funding has not yet been secured.[57] The ESPO pipeline is significant in that it ties, at present, Russia to a single customer – China, and is dependent on the latter's financing; namely, loans of US$15 billion and US$10 billion to Rosneft and Transneft respectively.[58] This latter point means that, after accounting for loan repayments and interest, China will be paying approximately US$11.40 per barrel for oil from the ESPO pipeline.[59]

This arrangement is indicative of Russian weakness vis-à-vis China in the economic sphere, and of the complex balance-of-power between the two. This is important for Sino-Russian relations in Central Asia, the development of the SCO and, to an extent, the Sino-Indian balance-of-power. Although China and Russia share major common interests in Central Asia and more widely, in particular, the commitment to a multi-polar international system, and have, in many areas a cooperative relationship, there also exists a competitive dynamic between Beijing and Moscow. This may in the long-term be the basis for a nascent renewed rivalry. The ESPO pipeline can be viewed in this context of simultaneous cooperation and competition as it reflects both a Chinese interest in cooperating with Russia to enhance its energy security, but at the same time, aiding in a quasi "containment" of Russia. This is due to China being, at present, the sole customer for the pipeline. Conversely, Russia's weakness vis-á-vis China in the case of the ESPO pipeline is mitigated by the latent capability, for example, provided by its intelligence presence and military links, to threaten Chinese interests in Central Asia.

The aforementioned importance of Kazakhstan to Chinese strategy in Central Asia and more widely, is also a potentially significant vulnerability. Russia maintains substantial influence in Kazakhstan and has available a number of levers to "influence" Astana and/or undermine Chinese interests. Potential vulnerabilities in Kazakhstan include the Russian diaspora, which accounts for 25 percent of the total Kazakh population and numbers approximately 3.9 million people;[60] and, as of January 1, 2010, Kazakhstan has entered into a customs union with Russia and Belarus with the intention of developing a "single economic space" by 2012.[61] These two factors provide Moscow with the means to

[56] Stephen Blank, "Chinese Energy Policy in Central and South Asia," *op. cit*., p. 442.
[57] *Ibid*.
[58] "China, Russia: A Pipeline Connection, An Act of Desperation?" *Stratfor.com*, February 18, 2009.
[59] *Ibid*.
[60] "Situation of the Russian Diaspora in Kazakhstan," Embassy of the Republic of Kazakhstan in the UK, <http://www.kazembassy.org.uk/uyghur_and_russian_diasporas_in_kazakhstan.html> (March 10, 2010).
[61] "Russia, Belarus, Kazakhstan: A Customs Deal and a Way Forward for Moscow," *Stratfor.com*, December 31, 2009.

substantially influence Astana, as does the continuing pervasive influence of the Russian military on local armed forces through training, thinking, for example, senior officers will have been trained in the Soviet period, and inherited equipment. In addition, the aforementioned scenario of China undertaking an intervention in Kazakhstan to secure the oil and gas fields[62] could not be undertaken without the consent of Russia, due to the location of the oil fields on Kazakhstan's Caspian coastline and proximity to Russia.[63] Such an intervention would be a de facto invasion of Kazakhstan.

The historical legacy of the Soviet Union, in particularly with regard to areas such as economic integration, training of cadres for government, the military and intelligence services, and the use of Russian as a second language, provides Moscow with a substantial latent influence in the Central Asian republics. Despite China's economic advantage, deterioration in Sino-Russian relations in the mid-term would be more damaging to Chinese interests in Central Asia. Furthermore, through Russia's partnership with India, especially regarding defence cooperation, an increased Chinese activism in Central Asia that was deemed inimical to Russian interests could be used as justification for increased cooperation between Moscow and Delhi. Similarly, post-Soviet multilateral structures such as the Collective Security Treaty Organization and Eurasian Economic Community provide alternative means for Moscow to pursue relations with Central Asia outside of the SCO framework. Due to the potential cost of a downturn in Sino-Russian relations and its implications for Chinese strategy in Central Asia and wider national strategy, plus the significant commonality of interests between Moscow and Beijing, a shift from cooperation to pronounced competition is unlikely. The current dynamic of dual cooperative and competitive relations is thus likely to continue.

Conclusion

In assessing the role and importance of Central Asia in Chinese national strategy, there are three questions of particular importance. First, why does Central Asia matter to China? Second, how does Central Asia serve Chinese strategic interests? Third, what is Central Asia's role in China's emergence as a "great power"? Central Asia's position on China's western flank effectively means it can serve as either a "back-door" to China via the province of Xinjiang, or it can serve as a bridge linking China to South Asia, the Middle East and potentially, Europe, bypassing the vulnerable maritime routes of Southeast Asia. This enables China to

[62] Martin Andrew, "PLA Doctrine on Securing Energy Resources in Central Asia," *op. cit.*
[63] U.S. Energy Information Administration, "Kazakhstan: Oil," <http://www.eia.doe.gov/emeu/cabs/Kazakhstan/Oil.html> (March 10, 2010).

utilize Central Asia as a supporting pillar of its national strategy, in particular with respect to efforts to improve energy security and national security through, for example, militating against separatist and extremist elements in Xinjiang, and through using Central Asian energy and mineral supplies to reduce dependency on more vulnerable maritime supplies.

The region also provides an area where Russia and China through a commonality of interests, have successfully developed a positive cooperative relationship, albeit with competitive elements, but nonetheless enhancing Chinese security, and influence in Central Asia. Cooperation with Russia especially via the SCO has enabled China to raise its military-security profile in Central Asia and in the longer-term perhaps more broadly, whilst staying for the most part, within the bounds of its "peaceful rise". The cooperative relationship with Russia has further served Chinese interests through the latter's "deferral" to continued Russian "preeminence" in Central Asian military-security matters. In the longer-term, the aforementioned enhancement of forces in Xinjiang will provide China with the means to proactively defend its Central Asian interests, forcefully if necessary. The continued Russian security interest and presence in Central Asia combined with positive relations with Beijing, has enabled China to concentrate its wider military-strategic planning and modernization on the Asia-Pacific and Indian Ocean Region. In addition, China has prioritized economic relations in its policies toward Central Asia, partly so as not to antagonize Russia, but also to develop the confidence of its Central Asian neighbors.

Thus, how does Central Asia contribute to China's emergence as a "great power"? Central Asia provides China with an enhanced room-for-maneuver. China's engagement with the regional states and Russia, has contributed to improving security on China's western flank, thereby enabling Xinjiang to take on the role of "energy hub". This aids in the development of Chinese maritime strategy and provides hedges against China's maritime rivals; India, Japan and especially the US. Furthermore, through the development of linkages between Pakistan and Central Asia, China has a nascent foundation for a potential containment strategy vis-á-vis India. These points contribute toward China attaining a sufficient position within its regional security context to enable it to consider developing extra-regional capacities. The aforementioned possibility of the SCO's remit being expanded to include a maritime security dimension is illustrative of one such possibility. At present, and reflective of the continuing relative strength of the Chinese economy versus its armed forces, China's priorities for the SCO will likely remain in the economic sphere, and so to avoid damaging its "peaceful rise", Russian interest in giving the SCO a more robust role will be resisted.

The latter point highlights a potential challenge to Chinese interests in Central Asia, that is, should the current Sino-Russian cooperative relationship switch to a competitive dynamic, or in the longer-term, renewed rivalry. The above-mentioned advantages Central Asia confers upon Chinese strategic planners are contingent upon the Central Asian regional system being permissive. If the regional system were to be contested or hostile, it would significantly complicate China's wider national strategy and raise the level of risk to Chinese national security. The benefits of a stable, permissive Central Asia will thus ensure it remains a major priority for China in the mid-to-long term.

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India's Energy Security Strategy Towards the Caspian Sea Region

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ABSTRACT

India's rapid economic growth is highly dependent on stable access to energy supplies. Energy security has, as a result, become a vital factor in Indian foreign policy. Close to India is the energy resource rich Caspian Sea Region (CSR). Despite its present limited access to CSR's hydrocarbon reserves, India has shown ample interests in accessing these energy resources. If New Delhi is able to formulate a coherent policy towards the CSR region, it could potentially become one of the biggest consumers of the CSR's oil and gas resources. This paper analyzes India's interests, challenges, and actual energy security policies vis-à-vis the CSR.

Keywords • Caspian Sea Region • India • Pakistan • China • Iran • Energy Security • Geopolitics • IPI Pipeline • TAPI Pipeline

Introduction

According to the power criteria set forth by Richard Muir (physical, demographic, economic, organizational, military, and power from external relationship) India falls into the category of powerful states.[1] India sits among the influential countries of the world based on the following factors: it has the world's second largest population; it is seventh largest in terms of geographical size; its economy and technological know-how, and industrial sectors are all growing rapidly; and finally, it is a nuclear power. As a result of these factors, many

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[1] R. L. Dwivedi, *Fundamentals of Political Geography* (Allahabad: Chaitanya Publishing House, 2004), p. 15.

scholars believe that it is a matter of time before the country joins the club of the big powers. In order to do so, sustaining economic growth would be of prime importance. This in turn would depend on India's ability to secure stable energy supplies.

The Indian economy has been expanding rapidly in the last decade or so. India was the second fastest growing economy of the world in the 2003-4. Back then, the UN had already ranked India as the world's 10th largest economy, the 4th largest in Purchasing Power Parity (PPP) and in Asia, the 3rd after Japan and China.[2] While India has promising access to coal and hydropower production, its lacks sufficient oil and gas supplies. It has been recognized that the country requires greater amounts of energy supplies in order to sustain its high economic growth.[3]

Indian Energy Profile

India's total energy consumption of 15.4 quadrillion Btus, consists of: coal (53 percent), oil (33 percent), natural gas (8 percent), hydroelectricity (5 percent) and nuclear (1 percent). It is predicted that India's demand for oil and gas will increase within the coming two decades. The Tata Energy Research Institute estimated that in 2010 "India's import dependence in crude oil" would "touch 80 percent and in natural gas 77 per cent. Supplies are expected largely from the Persian Gulf...Central Asia, [and] Southeast Asia".[4]

With the exception of hydropower consumption which stands lower than its production levels, India consumes more than it produces in other forms of energies sources. It ranks 25th and 23rd places globally in terms of proven natural gas and oil reserves.[5] India's coal consumption roughly matches its the production levels. According to the U.S. Energy Information Administration (EIA), coal and hydropower are the two main sources for India's energy consumption.[6]

According to CIA's 2007 estimation, India's oil production was 880,500 bbl/day and its consumption was (2.722 million bbl/day). Currently, India is dependent on imports for 68 percent of its oil consumption. Ranking India as the seventh largest net importer of oil in

[2] "India," *UN Bureau of Census* (July 2005).
[3] "India Posts Fastest Economic Growth in 18 Months," *The New York Times,* November 30, 2009, <http://www.nytimes.com/2009/12/01/business/global/01rupee.html?_r=1> (March 14, 2010).
[4] Sanjaya Baru, "Some Issues for Indian Policy," quoted in: Kapil Kak, "India's Strategic and Security Interests in Central Asia," *in* V. Nagendra Rao, and Mohammad Monir Alam, *Central Asia: Present Challenges and Future Prospects* (New Delhi: Knowledge World, 2005), p. 218.
[5] *CIA world Fact Book*, "India," 2007, <www.cia.gov/library/publications/the-world-factbook/countrylisting.html> (March 14, 2010).
[6] *EIA*, "India," March 2009, <www.eia.doe.gov/india> (March 14, 2010).

the world in 2006, the EIA "expects India to become the fourth largest net importer of oil in the world by 2025, behind the United States, China, and Japan."[7] India imports about three-fourths of its crude oil from the Middle Eastern partners, Saudi Arabia (23 percent) and Iran (17 percent). India's gas consumption (41.7 billion cu m) is also ten times higher than its production (31.7 billion cu m).[8]

Many research institutes and scholars have predicted that India's demand for oil and gas will increase within the coming two decades. India has shown great interest in pipelines and natural gas imports by focusing on importing oil and gas from the following regions:

- Southeast Asia: Bangladeshi or Myanmar's natural gas either through the territory of Bangladesh or via deep-sea pipelines through the Bay of Bengal which would bypass Bangladesh;
- Latin America and Africa;
- Middle East/Persian Gulf oil and gas reserves: either by tankers or from Iran via a Iran-Pakistan-India (IPI) gas pipeline through Pakistani territory;
- Caspian Sea Region (CSR): (1) Turkmen natural gas through Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline via Afghanistan and Pakistan, (2) Azeri-Kazakh oil via the Baku-Tbilisi-Ceyhan (BTC) pipeline, Turkey and via the Red Sea by tankers, (3) the Caspian Sea region's oil and gas, on-land via Iran and Pakistan territory, or, (4) Caspian Sea region's oil and gas, via Iran's Persian Gulf ports and by tankers.

India could import gas in three ways; via tankers over sea in Liquefied Natural Gas (LNG) form, through undersea pipelines, or overland pipelines which comes four times cheaper. India has opted for the last option. The two top choices to bring gas to India via pipeline are either from Daulatabad of Turkmenistan or from South Pars field of Iran. Transit fees and handling costs would make other choices more expensive.

Caspian Sea Region's Oil and Natural Gas Reserves

India's decision to tap into the CSR energy market would depend on whether there are sufficient amounts of oil and more importantly, gas, to meet its demand. According to an early optimistic estimate, proven or recoverable amount of oil reserves under the Caspian Sea stood at 200 billion barrels, though most geologists accepted the figure of 40 to 60 billion barrels as the ultimate reserve base of the Caspian region. Early

[7] *EIA*, "India," March 2009.
[8] *CIA world Fact Book, op. cit., and EIA, op. cit.*

differences and inaccurate geological assessments were due to geological and technical difficulties, insufficient scientific surveys and exaggerations by some beneficiary institutes and states.[9] To some analysts, early "commercially meaningless" figures and exaggeration were "derived for political purposes and for the U.S. entry into the Trans-Caucasus and Central Asia".[10] However, there is consensus on the existence of adequate oil and gas reserve and the hydrocarbon potential of the CSR. The Caspian Sea is estimated to contain 2 to 4 percent of the world hydrocarbon reserves. Thus, the CSR is not comparable with the Persian Gulf but with the North Sea.

Among Caspian littoral states and in terms of oil reserves, Azerbaijan with proven 7 bbl of oil and Kazakhstan with proven 9-40 bbl oil are the richest. Though Iran (0.1 bbl) and Russia's (0.3 bbl) oil deposits are said to be negligible, one cannot comment on their Caspian Sea deposits with confidence as their parts of the sea have not been fully studied and explored. Till recent gas discovery in Azerbaijan's Shah Deniz field, Turkmenistan with proven 2.0 and possible 4.49 Tcm gas reserves was considered a leading gas country, a status which it still preserves. Uzbekistan's oil deposit is not considerable but as a gas-rich state, its importance lies in its gas export potential and its geographical position for transit of energy export either toward China or South East Asia.

While multinational oil companies have initiated numerous large-scale projects in Kazakhstan and Azerbaijan, Turkmenistan has achieved only smaller-scale deals. Oil and gas development in the Russian sector have been similarly less important and in the Iranian part of the Caspian Sea almost inexistent. Yet, despite the high cost of energy exploitation and transportation, legal and environmental problems, and uncertainties of the surrounding governments, oil and gas companies are competing in the CSR to sign contracts, especially in Kazakhstan and Azerbaijan.[11] Several complicated issues have prevented the maximum exploitation of the CSR's hydrocarbon potential. Technical, logistical, legal, political, market, and social difficulties meant that only a few of the major oil fields have been exploited thus far. As a result, some key contracts and pipeline projects remains static.[12]

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[9] R. R. Sharma, "Regional Order and Security: Role of External Powers in Central Asia and Caspian Sea Region," quoted in Anuradha M. Anuradha, and Ajay Patnaik (eds.), *Commonwealth of Independent States: Energy, Security and Development* (New Delhi: KW Publishers Pvt. Ltd., 2007), p. 99.

[10] Anuradha M. Chenoy, "Oil Politics of Central Asia and Caspian Sea Basin: The US Game Plan," *in* Anuradha M. Anuradha, and Ajay Patnaik (eds.), *Commonwealth of Independent States: Energy, Security and Development*, *op. cit.*, p. 114.

[11] Maureen S. Crandall, *Energy, Economics, and Politics in the Caspian region, Dreams and Hopes* (Westport, CT: Praeger Security International, 2006), p. 54.

[12] Amy Jaffe, *U.S. policy toward the Caspian region: can the wish list be realized? SIPRI Papers* (2000), pp. 150-151.

India's Geopolitical Interests in the CSR

To sustain a high economic growth rate, India will need to increase its hydrocarbon energy import. One of the nearest potential regions from which India can import energy is the CSR. To do so, India needs to pursue a persuasive long-term energy relationship with the CSR; something New Delhi has yet to pursue properly. Besides trade and investment factors, India in fact has major political reasons to engage with the CSR. They relate to New Delhi's concerns towards militant extremism, and regional balance-of-power considerations related to the U.S., Pakistan and China, as well as India's energy interests.

Terrorism Threats and Balance-of-Power Considerations with Pakistan and China

One of the important issues for India is religious extremism and terrorism. India shares the same view as China and other big global and regional powers on the security of the CSR, especially Afghanistan. A calm, democratic and secular CSR is conducive to Indian interests. New Delhi's worries on Islamic extremist elements in Pakistan and Afghanistan have shaped its security concerns vis-à-vis the region. In fact, the elimination of such elements has been a factor for cooperation between India and other powers since Taliban rule. India as an Asian power could contribute to the stability and peace of the region.

India is also concerned with the role of the Pakistan and China in the CSR. Following the Iranian Islamic revolution and the Soviet invasion of Afghanistan in 1979, regional geopolitics underwent considerable change. After the Iranian revolution, the U.S.-Iran alliance collapsed and the U.S. turned to Pakistan to deal with the Soviet invasion of Afghanistan. The U.S.-Pakistan alliance weakened following the withdrawal of the Soviet Union from Afghanistan in 1988. By the 1990s, a pro-Pakistani Taliban was consolidating its power in the country. The U.S. and Pakistan re-allied following the September 11th 2001 Al-Qaida attacks on the U.S. World Trade Center.

Tehran-Islamabad relations soured severely with the emergence of the Taliban, the takeover of pro-Iranian strongholds - Mazare Sharif and Bamiyan - of the Northern Alliance, and the killing of eight Iranian diplomats by the Taliban. While Iran regarded Sunni Talibans as a main threat to its own Shiite faith, to the Shiites of Afghanistan, and also to the security of Iran's eastern border, Pakistan was treating the Taliban as a means of securing a foothold in Afghanistan. One of the reasons behind Pakistan's involvement in the politics of Afghanistan and support of the Taliban was the issue of energy. A UK news report noted that "oil industry insiders say the dream of securing a pipeline across Afghanistan is the main reason why Pakistan, a close political ally of America's, has

been so supportive of the Taliban and why America has quietly acquiesced in its conquest of Afghanistan".[13]

The more Iran got involved in the Afghan conflict, the more it "turned into direct conflict with Pakistan."[14] India's common interests with Russia, Iran and China on containing extremism and Taliban expansion were not compatible with Pakistan's Central Asian interests. Thus, India, Iran and Russia and, to an extent, China came closer. Following the September 11 attacks and the U.S.-led attack of Afghanistan, the entire scenario changed once more as Russia, India and Iran supported the coalition forces' military operations. Pakistan had no option but to join the U.S. in its war against the Taliban in return for the U.S.'s financial support.

During the early 1990s, Pakistan competed for influence in the CSR against Turkey and Iran. However, over the last decade, its competitive policies have been more evidently shaped by New Delhi's moves. Through economic, expertise, and diplomacy, both Pakistan and India have attempted to gain more influence in the region. While Islamabad tied with both Washington and Beijing, New Delhi opted to side with Washington. The Sino-Indian rivalry and power-balancing act in Asia has bestowed Pakistan with China's strategic cooperation and significant military assistance.

Since the Soviet withdrawal from Afghanistan and its collapse in 1991, India's CSR energy, security and strategic interests, especially Afghanistan politics, have been shaped by its traditional rival, China in first place, followed by its traditional foe, Pakistan in the second place. Compared with China's steady, and growing participation in CSR's politics, energy and pipeline deals, India's involvement is relatively limited. When it comes to having a footprint in CSR, despite "having the second largest Muslim population in the world", centuries-old ties with the largely Muslim populated CSR and geographic proximity, New Delhi lags behind Beijing. Paradoxically, India shares more commonalities with the region than China. While China is pursuing long-term measures vis-à-vis the CSR and through the Shanghai Cooperation Organization (SCO) for instance, it seems that the Indian government, in spite of India's growing economy and energy needs, has not prepared a long-term CSR foreign policy strategy. It has thus far only focused on improving bilateral relations with the Caspian republics, and lacks a coherent strategy towards the region as a whole.

The slowly escalating Indo-China competition for leadership in Asia, Indo-Pakistan hostility, instability in Afghanistan and competition for

[13] George Monbiot, "America's Pipe Dream," *The Guardian,* October 23, 2001.
[14] Nazir Hussain, "Pak-Iran Relations in Post-9/11 Period: Regional and Global Impact," *Regional Studies* XX, 4 (Autumn 2002), quoted in Shah Alam, "Iran-Pakistan Relations: Political and Strategic Dimensions," *Strategic Analysis* 28, 4 (2004): 533.

secure energy will leave a negative impact on large-scale involvement of South Asian states in the CSR's politics and energy. Nonetheless, "if Chinese expansion coincides with declining Russian influence, India will have no choice but to expand its political, economic and military capabilities in Central Asia."[15]

Despite several wars, the three nuclear states of China, Pakistan and India have common grounds for cooperation in the CSR. Regional organizations such as the SCO in which both India and Pakistan have Observer status could provide a foundation for substantial cooperation. It has brought the three states together, though with different interests. However, beside the small-scale cooperation initiatives in the realms of commerce, counter-narcotics and environmental protection, Islamabad, Beijing and New Delhi are most worried about security and terrorist threats from the CSR.[16] Furthermore, the three most populated countries of the world, India, Pakistan and China's fast growing economies and swelling energy demands make them potential markets for the CSR's oil and gas.[17]

The U.S. Influence on India's Energy Strategy in the CSR

U.S. influence and strategy over "energy stakes" in the CSR is affecting all the main traditional regional players as well as India. In fact, the U.S. "is keen to create regional security architecture, marginalizing if not fully ending the influence of traditional actors - Russia and Iran - and new stakeholders like China." In this context, "India is being roped in with promises of help in becoming a recognized great power in return for acquiescing in the role of creating an Asian balance vis-à-vis an emerging powerful China. Washington is also trying to exploit the undercurrent of suspicion in the Sino-Russian relations".[18]

Moreover, as Ajay Patnaik suggests: "U.S. control over the oil and energy resources of Central Asia will make it neither cheap nor accessible to others. If the U.S. succeeds in controlling most of the energy resources, it will use this as an instrument of its external policy. That would make emerging powers like India most vulnerable".[19] Indeed, the U.S. has used the energy issue as a tool of its foreign policy in the Caspian region. For instance, it has openly discouraged India from

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[15] Gulshan Sachdeva, "India's Attitude towards China's Growing Influence in Central Asia," *The China and Eurasia Forum Quarterly* 4, 3 (2006): 34.

[16] Fiona Hill, "The Caucasus and Central Asia," *Brookings Policy Brief*, No. 80, May 2001, p. 4.

[17] Richard Weitz, "Averting a New Great Game in Central Asia," *The Washington Quarterly*, 29, 3, (2006), pp. 155,163.

[18] Devendra Kaushik, "The Caspian Cauldron: New Geopolitical Game," *in* Anuradha M. Chenoy and Ajay Patnaik (eds.), *Commonwealth of Independent States: Energy, Security and Development*, *op. cit.*, p. 83.

[19] Rahul Bedi, *Front Line*, 19, 19 (2002), September 14 – 27, 2002.

pursuing the Iran-Pakistan-India (IPI) gas pipeline project. Condoleezza Rice once said: "if India is buying Iranian gas my country will get upset".[20] The U.S. sanctions, namely the D'Amato Act, threaten European companies with heavy fines, and the Iran-Libya Sanctions Act (ILSA) forbids companies investing more than US$20 million in Iran.

Indian Energy Deals with the CSR

India has signed several Memorandum of Understandings and agreements with Afghanistan, Turkmenistan, Iran and Kazakhstan on transportation, pipeline infrastructure and energy. However, its involvement in energy deals in the Caspian is not promising and lags when compared to China. For instance, India's trade with Central Asia is approximately US$200 million which is a negligible portion of India's overall international trade.[21] Indian-owned Oil and Natural Gas Company (ONGC) has invested US$3.5 billion in overseas exploration since 2000, while Chinese-owned China National Petroleum Corporation (CNPC) has made overseas investments of an estimated US$40 billion.[22]

In the December 2004 summit with Russia, India announced a US$3 billion investment in the Sakhalin-3 oil field and the joint Russian-Kazakh Kurmangazy oil field in the Caspian. It has also formally bid for participation in the Kazakhstan's Tengiz and Kashagan oil fields and the Kurmangazy and Darkhan exploration blocs. It had also shown interest in exploring nine other blocs in and around the Caspian Sea. India's Gail Ltd, a gas infrastructure firm, had offered its services as a project consortium partner in Sino-Kazakh pipeline. Along with other Indian public-sector companies, Gail was also eager to invest in gas processing and petrochemical plants in the Kazakh towns of Atyrau and Akhtau and to improve oil recovery in older fields. Indian and Kazakh parties have agreed to establish a joint working group to examine and develop various projects for cooperation. However, both India and Kazakhstan have been unclear as to how they are going to transport Kazakh oil or gas to India.[23]

So far and in practice, the only Indian energy purchase from a Caspian state is from Iran, from the Southern energy fields. In 2005, India signed a US$40 billion deal with Iran to import 7.5 million tons of liquefied natural gas annually over a 25-year period. It also obtained stakes in the development of Iran's largest onshore oilfield, Yadavaran, as

[20] BBC News Persian, February 4, 2006, <http://www.bbc.co.uk/persian/business/story/2006/02/060204_ra-iran-india.shtml> (March 14, 2010).
[21] Teresita C. Schaffer, and Vibhuti Haté, "India's 'Look-West' Policy: Why Central Asia Matters," *CSIS South Asia Monitor,* 110, 2007.
[22] Chietigj Bajpaee, "India, China locked in energy game," *Asian Times Online*, 2005, <http://www.atimes.com/atimes/Asian_Economy/GC17Dk01.html> (March 14, 2010).
[23] Stephen Blank, "India's Quest for Central Asian Energy," *Eurasia Daily Monitor* 2, 40 (February 27, 2005).

well the Jufeir oilfield. The Yadavaran oilfield is a Sino-Indian-Iranian collaboration with India holding a 20 percent stake, China 50 percent and 30 percent with Iran. In exchange for Iranian gas, India is investing in Iran's ports and energy infrastructure.[24]

Transportation Limits: Iran, India's CSR Energy Corridor

When it comes to Indian energy security or CSR's energy transportation, the importance of Iran becomes undeniable. Iran not only sits at the Hormuz chock point in the Persian Gulf but also has direct access to both land masses of the east and west energy rich CSR. Geographically, Iran is the best route for Indian export to and energy import from CSR, as none of the other three options of land-routes through its historical rival and foe - China and Pakistan - nor unstable Afghanistan, suits India. Neither the difficult Leh-Kashgar pass, nor the impracticable route through Afghanistan-Pakistan can serve as well as an Iranian route.

The Sarakhs-Tajan Rail Link which officially opened on May 13, 1996 connects the Iranian southern ports and railway network to the eastern Caspian region through Turkmenistan. Iran's highways and roads via several points could connect India to the western Caspian region, to Armenia and Azerbaijan. In 2005, Iran completed the US$43 million, 125-km long road from the Dougharoun region to Herat, and announced that it will build a 176-km long railroad from Iran to Heart in Afghanistan. In addition to the Sarakhs-Tajan rail link, Iran completed the 1000 km long Bafq-Mashhad railroad in 2004, which makes the rail journey from Central Asia to the Persian Gulf two days shorter. An improved railroad infrastructure will attract cargos from Russia, China, India, the CSR and Central Asia to reach ports in the Persian Gulf via Iran. [25]

An outcome of a 1997 trilateral agreement between India, Turkmenistan, and Iran on the transit of goods is that of St. Petersburg agreement. India has signed the St. Petersburg agreement in 2000 with Russia and Iran to establish a North-South Transportation Corridor but this corridor's potential has not been properly exploited. Otherwise, India could access both sides of the Caspian Sea through Iran's Persian Gulf port of Chahbahar and its rail and road networks. Though India contributes to the development of Iran's Persian Gulf Chahbahar port into a commercial port to access Afghanistan, CSR and Central Asia, the capability of this port and its connectivity to the Iran's rail network is not optimal. Nonetheless, a road from Afghanistan to Chabahar has already

[24] Chietigj Bajpaee, "India, China locked in energy game," *op. cit.*
[25] Joshua Kucera, "Iran Expanding Ties with Central Asian States to Counterbalance US Geopolitical Pressure," *Eurasia Insight*, April 13, 2006, <http://www.eurasianet.org/departments/insight/articles/eav041305b.shtml> (March 15, 2010).

been completed with Indian help.[26] With the Iranian route underexploited, Indian access to the CSR is currently viable by air only.

Iran's geostrategic location and energy factors have been underutilized by New Delhi. If India is to enlarge its CSR political and energy interests, it would be inevitable for it to maintain a close relationship with Iran. What Iran needs is Indian support and backing in international organizations such as IAEA and the UN. Iran could push forward and facilitate Indian geostrategic, economic and energy interests and access to the CSR. In return India could facilitate Iran's international diplomacy. However, to date, India's interests with big powers like the U.S. have forced New Delhi to reduce its engagement with Iran. A key example of this is how the Indian Congress-led government under direct pressure from White House voted three times against Iran at the IAEA.[27]

In sum, if ever India is going to compete against Chinese and Pakistani ambitions and competition over access to CSR's oil and gas reserves, it has no better option than Iran. China has tied with Pakistan and maintains a close but cautious relationship with Iran. India can do so too. China has managed to rebuff criticisms from the U.S., EU, and international organizations over its cooperation with Iran, why can't India do the same? India can balance its relationship with Iran for its energy needs and meanwhile tie with the U.S. and the West for its national interests.

India's Gas Pipeline Options: IPI and TAPI

As analyzed above, one of the best routes for Caspian energy is a Southward gas or oil pipeline via Iran and towards South Asia. This route, if realized, would benefit all the CSR. Azeri and Uzbek oil and gas could also be diverted southwards and toward India. Kazak, Uzbek and Turkmen oil and gas can reach India via neighboring countries and through pipelines. It has become apparent that India has made its choice by showing interests in CSR gas but not oil. An oil pipeline is not impracticable but due to gas-rich Turkmenistan and Uzbekistan's proximity, India has preferred to work on a gas pipeline. CSR's gas is reachable via either the IPI or TAPI. If arranged then Iran can receive Turkmen gas for its consumption and pump the same into the IPI pipeline towards Pakistan and India.

The most controversial gas pipeline in the region, Iran-Pakistan-India (IPI), known also as "Peace Pipeline" would run for 1,100 km. Starting at the Assaluyeh/giant South Pars gas field in Iran, in the Persian Gulf,

[26] Hari Sud "India looks to Central Asia for energy," *UPI*, June 17, 2008, <http://www.upiasia.com/Economics/2008/06/17/india_looks_to_central_asia_for_energy/5733/> (March 15, 2010).
[27] IAEA, *op. cit*.

crossing 1,000 km in Pakistan it would continue for 600 km within India eventually ending in Gujarat. With a total length of 2,700 km long and US$7 billion cost, the IPI project would deliver 150 million cubic meters gas per day which will split between Pakistan (60 million cum) and India (90 million cum). The IPI project will enjoy Russian support and participation from giant Gazprom. Two decades have passed since conceptualization of the pipeline but U.S. opposition to the project and India's security concerns of the pipeline in Pakistani territory has so far prevented the realization of this gas pipeline. There is another more pressing problem facing the IPI pipeline project; 1000 km of the 2,700 km IPI pipeline has to pass through Pakistan and mostly throughout the Baluchistan and Sind regions. In fact, India's major concern is not the U.S. objection to the deal in the first place but Pakistan's internal turmoil. Indian fear of Pakistan, with which it fought three wars, is not baseless. Unlike Pakistan, the Indian recent position on IPI is idle. New Delhi has neither pulled out nor pursued the deal actively.

The competitor to the IPI is the Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas-pipeline which would run from Dulatabad/Turkmenistan. Crossing Herat and Kandahar in Afghanistan, it would reach Quetta and Multan in Pakistan from where it would touch Indian soil at Fazilka. This 1.680 km long pipeline would require $ 3.3-4 billion for its construction. It is planned to deliver 3.2 billion Cubic feet of gas to be shared by both Pakistan and India. Being shorter and less costly in comparison with the IPI, and enjoying the financial aid of the Asian Development Bank and World Bank and the U.S backing, this pipeline is politically easier to implement but has serious security problems. There are several obstacles preventing the realization of both the IPI and TAPI. Security concerns in Afghanistan and Pakistan are the main challenges. It is less likely that TAPI can enjoy Russian backing as it would hamper Russian strategic oil and gas export plans to Europe. Second, any major gas pipeline directed from the CSR southward to the huge subcontinent market would deprive Russia of transit revenue. Losing Turkmen and Uzbek gas through TAPI would conflict directly with Russian energy supremacy, thereby making Russia opposed to the TAPI.

Conclusion

With the expanding economies and the growing energy demands of China and India, one can observe that India is lagging behind China in its penetration of the CSR. Notably, while the Sino-Kazakh oil pipeline is almost complete, both the India-bound IPI and TAPI gas pipelines remains on paper; and in the case of the IPI, since 1989. An oil or gas pipeline like IPI would not only foster Indo-Iranian relationship, but also open further the energy transit routes from the CSR to the Indian

subcontinent. The energy needs of both nations are an opportunity that could put an end to more than half century of hostility. IPI has provided an opportunity for cooperation which should not be lost.

India has sensed the urgency and importance of its energy security. As Prime Minister Manmohan Singh said: "energy security is second only in our scheme of things to food security."[28] If India is unable to secure its share of the Caspian oil and gas reserves, it will likely face a logjam in the next 10 to 15 years. Insufficient oil and gas reserves at home are in itself alarming. Despite knowing of the escalating energy need which can lead to crises, India is not taking serious and long-term measures to prevent these crises. India is showing increasing interest but not increasing action, unlike its Asian rival China.

[28] Stephen Blank, "Central Asia's Energy Game Intensifies," *Eurasianet*, September 1, 2005, <http://www.eurasianet.org/departments/insight/articles/eav090105.shtml> (March 15, 2010).

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Great Power Politics: India's Absence from Ideological Energy Diplomacy in Central Asia

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ABSTRACT

As we enter the 21st century, Central Asia has become a more significant region for energy studies. To facilitate energy competition in the region, the major powers have found it increasingly necessary to rationalize their ambitions ideologically. The United States works from a platform of liberal democracy and "human rights above sovereignty", Russia proffers its own idea of "sovereign democracy" to the Central Asians, and China portrays itself as a non-interventionist "responsible state" in the region. As one of the largest superpowers in the region, India lacks a unique ideology to increase its influence in Central Asia. This paper uses primary sources to explain how and why India has failed to compete with other great powers in Central Asia and to re-map what it calls "ideologised energy diplomacy" in an attempt to assess what progress India has made.

Keywords • Central Asia • India • Energy • Ideology • Ideologised Energy Diplomacy (IED)

Introduction

Since the late 1990s, the International Energy Agency has viewed Central Asia as one of the largest undeveloped energy reserves in the world,

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especially for the production of oil and natural gas.[2] Given the increasingly pressing problem with energy supply and its sequential impact on the global economy as we enter the 21st century, Central Asia has become a more significant region for energy studies. The five Central Asian nations of Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan and Turkmenistan have emerged firmly onto the global energy stage.[3]

Since the end of the last century, Barry Buzan, who co-worked with Wæver and de Wilde, has suggested five distinct sectors of security concern in the contemporary era: military, political, economic, environment and societal. "Economic" security naturally includes the securing of natural resources.[4] Thus, nation-states in the 21st century, not surprisingly, include energy encroachment in their national security agendas. To facilitate energy competition in the region, the major powers have found it increasingly necessary to rationalize their ambitions ideologically. The United States works from a platform of liberal democracy and "human rights above sovereignty", Russia proffers its own idea of "sovereign democracy" to the Central Asians, and China portrays itself as a non-interventionist "responsible state" in the region. As one of the powers in the region, India lacks a unique ideology to increase its influence in Central Asia.

This paper uses primary sources to explain how and why India has failed to compete with other great powers in Central Asia and to re-map what it calls "ideologised energy diplomacy" (IED) in an attempt to assess what progress India has made. The paper is divided into three sections. The first reviews how this new international relations school of IED has evolved from its original realist-driven antecedent. The second section, which is the main section, describes the possible IED tactics that India might use in its energy diplomacy and how all of them have the potential for failure in competing with other nations. This is explained within a theoretical framework. The contrasting "combine-and-rule" and "divide-and-rule" approaches of IED in Central Asia are discussed in the conclusion as an explanation of the current stalemate.

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[2] International Energy Agency, *Caspian Oil and Gas: The Supply Potential of Central and Transcaucasia* (Paris: OECD Publications, 1998).

[3] Shai Feldman (ed.), *After the War in Iraq: Defining the New Strategic Balance* (Brighton; Portland, Oregon: Sussex Academic Press/Jaffee Center for Strategic Studies); Richard Heinberg, *The party's over: oil, war and the fate of industrial societies*.(Gabriola Island, B.C.: New Society Publishers, 2003).

[4] Barry Buzan, Ole Wæver, Jaap de Wilde, *Security: A New Framework for Analysis* (London: Lynne Rienner Publisher, 1998).

From Energy Diplomacy to "Ideologised Energy Diplomacy"

As scholars have proposed at different times, an ideology-based foreign policy, in combination with traditional realist interpretations, constitutes a new distinctive school of thought in the study of international relations.[5] However, the rules of this new game are not yet fully spelt out. This paper starts with a strengthening of the theoretical groundwork of the school of IED by proposing the following core rules, which can be used to study how the three powers manoeuvre within Central Asia.

Most studies on energy politics share two common assumptions: that the stakeholders are rationality-based and they are realist-orientated. It would be naïve to assume that nation-states today are not aiming at energy encroachment and interest- or security-maximization. Yet, this alone is no longer sufficient for the 21st century. Since the end of the Cold War, realist tenets have been challenged by the rise of norms and ideas that call for ideological justifications for interest-maximising behaviours. Encroaching on overseas energy resources might be seen as a violation of some of the new norms, such as peace and conservation. Without offering ideologies to give their behaviour a moral high-ground justification, the powers could face considerable challenges domestically and internationally.[6]

As a result, nation-states have to offer a state-sponsored ideological dimension to rationalize their encroachment on resources in seemingly non-interest-driven terms. To be effective, such ideologies need to serve as a compelling alternative to offset conflicting norms that question the energy campaigns; be easily shared by domestic nationalists; and be potentially acceptable to audiences in the home countries which host the resources. According to the constructivists in particular, national interests are now shaped by the idea of identity, which is essentially formed by a consensus between the ruling elites and their governed subjects.[7] In order to wield their naked hard power more effectively, nation-states began to consciously cumulate soft power in the international community, knowing that a nation-state is often judged by

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[5] Michael Hunt, *Ideology and US Foreign Policy* (New Haven: Yale University Press, 1987); Christer Pursiainen, *Russian Foreign Policy and International Relations Theory* (Hampshire: Ashgate, 2000); Sujian Guo, Shiping Hua (ed.), *New Dimensions of Chinese Foreign Policy* (Lanham: Lexington Books, 2007).

[6] John Jacobsen, "Much Ado about Ideas: The Cognitive Factor in Economic Policy," *World Politics* 47,2 (1995), pp. 283-310; Albert Yee, "The Causal Effects of Ideas on Policies," *International Organisation* 50,1 (December 1996): 69-108.

[7] Alexander Wendt, "Identities and Structural Change in International Politics', in Yosef Lapid and Friedrich Kratochwil (eds.), *The Return of Culture and Identity in IR Theory* (Boulder CO: Lynne Rienner Publishers, Inc., 1996), pp. 47-64.

its ideology and responsibility towards the global system.[8] Inevitably, encroaching on energy resources overseas might easily violate some of the new norms like peace, conservation and autonomy. Without offering counter-ideologies to rationalize their behaviour from the moral high ground, the powers would face various challenges domestically and internationally.

From the perspective of nation-states, interests always trump ideologies because blindly following ideologies could result in deviation from national interests. If the two are in conflict, excessively fanatical ideological pursuit would be discouraged; and reporting of the regime's sacrificing the mere pursuit of ideologies would be toned down. Ideologised energy diplomacy has to retain flexibility for the regimes: that is the general acceptance in the home countries housing the energy resources. Without showing concern for the actual situation, fanatically following ideologies can go against the national interest, just as an authentic follower of Marxism can go against the perceived national interests of a Marxist government.[9] In statist regimes, excessively fanatical ideological pursuit would be discouraged; in less state-centric regimes, reports of the regimes' sacrificing the ideological pursuit would also be toned down. In other words, without the energy concerns, it is difficult to preach these ideologies with any sincerity on their own and once their dogmatic interpretations no longer serve state interests, they are effectively redundant.

Ideologised Energy Diplomacy in Central Asia

Scholarly interest in Central Asia, which is commonly perceived as "landlocked, poor, peripheral, fearful, defenseless, Muslim, and undemocratic", has become widespread since the five republics gained independence.[10] There are many aspects to the importance of the region. Some scholars stress the significance of its Islamic religion when discussing the security issue in Central Asia.[11] To some, geopolitics plays a greater role in the region, which has been described as the "second Persian Gulf", the new "grand chessboard", the "heartland of the

[8] Joseph Nye, "Central Asia: Regional Developments and Implications for U.S. Interests," *CRS Report for Congress*, December 14, 2007.
[9] Van Ness, *Revolution and Chinese foreign policy; Peking's support for wars of national liberation* (Berkeley: University of California Press, 1971).
[10] Charles William Maynes, "America Discovers Central Asia," *Foreign Affairs* 82, 2 (March/April 2003): 120-33.
[11] David Hoffman, "Iran's Drive to Rebuild Seen Posing New Challenges to West," *The Washington Post*, February 2, 1992; Jim Nichol, "Central Asia: Regional Developments and Implications for U.S. Interests," *CRS Report for Congress*, November 13, 2008.

heartland" or the "Great Game II".[12] The Cold War complex also haunts the republics. Despite this unease, energy politics seem to be of greatest concern on this grand chessboard. Of the global powers that have prime energy interests in the region, the U.S., Russia and China are the leading competing forces, although nations such as Japan and India also have their sights on the region.[13] Various studies on energy encroachment in Central Asia share two common assumptions: the stakeholders are rationalist-based, and realist- or neo-realist-orientated.[14] Although early scholars and realist practitioners may not have obviously included economic concerns in their works, latecomers have started featuring energy resources in the political realist analysis of international relations. Gilpin regards Thucydides' work on the *History of the Peloponnesian War* to be partially driven by energy competition; at that time it was wheat to fuel human bodies.[15] In the contemporary world, how are the energy ambitions of the great powers and India facilitated by IED?

Tactics of IED from China, Russia and the United States in Central Asia

The United States is famous for exporting its liberal democracy to other nations. It has long been skilful in combining national interests with preaching national ideology. Over the past decade, the framework of liberal realism, devised by John Ikenberry and Charles Kupchan, could best describe the U.S. strategy. There are three propositions in this framework: (1) a requirement that the U.S. must wield its superior

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[12] Zbigniew Brzezinski, *The Grand Chessboard: American Primacy and Its Geostrategic Imperatives* (New York: Basic Books, 1997); Mehdi Amineh, *Globalization, Geopolitics and Energy Security in Central Eurasia and the Caspian Region* (The Hague: Clingendael International Energy Program, 2003). Sally Cummings (ed.), *Oil, Transition and Security in Central Asia*. (New York: Routledge Curzon, 2003); Robert Legvold, "Greater Power Stakes in Central Asia," in Robert Legvold (ed.), *Thinking Strategically: The Major Powers, Kazakhstan, and the Central Asian Nexus* (Cambridge, MA: MIT Press, 2003).

[13] Annete Bohr, "Regionalism in Central Asia: New Geopolitics, Old Regional Order," *International Affairs* 80, 3 (2004): 485-502; Neil MacFarlane, "The United States and Regionalism in Central Asia," *International Affairs* 80, 3 (2004): 447-6; Dianne Smith, "Central Asia: A New Great Game?" *Research Monograph from Strategic Studies Institute*, 1996, p. 20 ‹http://www.strategicstudiesinstitute.army.mil/pdffiles/PUB117.pdf› (December 18, 2009).

[14] Xu Xiaojie, "The Oil and Gas Links between Central Asia and China: A Geopolitical Perspective," *OPEC Review: Energy Economics & Related Issues* 23, 1 (1999): 33-54; Ariel Cohen, "U.S. Interests and Central Asia Energy Security," November 15, 2006 ‹http://www.heritage.org/Research/Reports/2006/11/US-Interests-and-Central-Asia-Energy-Security› (April 6, 2010); Andrew Monaghan, "Russia's Energy Diplomacy: A Political Idea Lacking a Strategy?" *Southeast European and Black Sea Studies* 17, 2 (2007): 275-88.

[15] Thucydides, *History of the Peloponnesian War* (Chicago: University of Chicago Press, 1989), p. 293.

strength in concert with others to ensure that it forestalls rather than invites balancing behaviour; (2) the necessity to move with - rather than against - the secular diffusion of global power; and (3) a reliance on a multi-dimensional understanding of power such that the U.S. needs to reclaim its moral authority abroad and to make disaffected allies feel like stakeholders in the international system.[16] From Washington's perspective, liberal democracy can be naturally and automatically applied to facilitate its energy interests in Central Asia. Immediately after the collapse of the Soviet Union, the U.S. Congress signed the "FREEDOM Support Act" in October 1992 to condition the provision of aid with suggested ideology. The intention of the U.S. to preach liberal democracy to Central Asia specifically was further spelt out in the Silk Road Strategy Act in 1999, which "authorized enhanced policy and aid to support conflict amelioration, humanitarian needs, economic development, transport and communications, border controls, democracy, and the creation of civil societies in the South Caucasus and Central Asia".[17]

In order to facilitate its own energy diplomacy and to counter U.S. ideological advancement in Central Asia, the Russians offered another state-run ideology for the region that can be named "sovereign democracy". For instance, the Moscow-dominated Commonwealth of Independent States (CIS) established the Collective Security Treaty Organisation (CSTO) in 2002, aimed at joining forces to combat international terrorism, illegal circulation of narcotics, illegal migration and organized crime. The CSTO members, which included Russia and all the Central Asian nations except Turkmenistan, agreed that external cooperation involving any member with a third party should be approved by all.[18] In order to understand the change, the Andijon Incident in Uzbekistan can serve as a case-study. While the EU and the U.S. expressed criticism of Karimov, Russian Foreign Minister Sergei Lavrov said that the incident was planned and prepared with local dissidents and Islamists from Afghanistan's Ferghana Valley region, whereas the anti-Karimov gangs originated from "external extremist forces of the Taliban-type", including the remnants of the Taliban, Chechen guerrillas, the allegedly Al-Qaeda-sponsored-Islamic Movement of Uzbekistan (IMU)

[16] John Ikenberry and Charles Kupchan, "Liberal Realism: The Foundations of a Democratic Foreign Policy," *National Interest* 77 (2004): 38-49. John Ikenberry, "America's Imperial Ambition," *Foreign Affairs* 81, 5 (2000): 44-60. John Ikenberry, "America's Liberal Grand Strategy: Democracy and National Security in the Post-War Era," in Michael Cox, G. John Ikenberry, Takashi Inoguchi (eds.), *American Democracy Promotion: Impulses, Strategies, and Impacts* (Oxford: Oxford University Press, 2000), pp.103, 111-22.

[17] White House, "Silk Road Strategy Act 1999," Washington DC, 1999, <http://www.iwa-ait.org/silkroad.html> (July 1, 2009).

[18] Jim Nichol, "Central Asia: Regional Developments and Implications for U.S. Interests," *CRS Report for Congress*, November 13, 2008.

and *Hizb-ut-Tahri* (HuT).[19] In response to requests to mediate in the conflict, Moscow declined outright by claiming that it was an internal Uzbek affair.[20] This shows that Russia is not only intent on offering a set of values to Central Asia, but also aims at rewarding authoritarian rulers in the region by encouraging them to practise sovereign democracy within their borders and to be immune to human rights critics beyond.

While the U.S. and Russia rival each other along the ideological lines of "liberal democracy" and "sovereign democracy", China instead has striven to demonstrate to the world that it is a "responsible state" that is ascending the global arena peacefully. Regarding its ideal global structure, Beijing has coined "peaceful development" in a "harmonious world" as its ideological and diplomatic guiding principle. Together with British scholar Rosemary Foot, mainland Chinese scholars such as Yaqing Qin were among the first to propose that China should assume the duty of an internationally responsible state, and continue its activism in terms of the fulfilment of responsibilities.[21] The way that Beijing handled the SARS crisis in 2003 can be seen as a transitional milestone for China in pledging its commitment towards such a diplomatic goal.[22] For some Western observers, China's new foreign policy is seen as having "a less confrontational, more sophisticated, more confident, and, at times, more constructive approach toward regional and global affairs", affording it the position of a "status quo power" in the international community.[23]

India's Lack of IED and its Great Power Candidacy in Central Asia

Given the above tactics used by the U.S., Russia and China in IED, one may well question whether another great power candidate adjacent to Central Asia, i.e. India, could apply the same strategy. Undoubtedly, India also has strong interests in Central Asia. As the second largest growing economy in the world, India relies heavily on energy imports to sustain its domestic economic expansion. According to the International Energy Outlook, India was the fifth largest oil consumer in 2007 and its

[19] Martin Walker, "Analysis: Uzbek Leader Escapes Isolation," *United Press International*, May 7, 2005.
[20] Gulnoza Saidazimova, "Uzbekistan: Andijon Prompted International Power Shift," May 12, 2006.
[21] Qin Yaqing, "Guannian Tiaozhen Yu Guoji Hezuo" [Idea Adjustment and International Cooperation], *Xiandai Guoji Guangxi* (March 2002): 6-8. Rosemary Foot, "Chinese Power and the Idea of a Responsible State," *The China Journal* 45 (January 2001): 1-19.
[22] Simon Shen, "SARS Diplomacy of China and Taiwan," *Asian Perspective* 28, 1, (March 2004): 45-66.
[23] Evan Medeiros and M. Taylor Fravel, "China's New Diplomacy," *Foreign Affairs* 82, 6, (2003): 23-35.

demand grew to almost 3 million barrels per day (bbl/d) in 2008.[24] At present, 68 percent of its oil is imported, and its dependency on oil imports is expected to increase to 92 percent by 2020.[25] Within this context, considerable progress by India to obtaining Central Asian resources has been made. For instance, since 2004, India has invested US$3 billion in the Sakhalin-3 oil field and the joint Russian-Kazakh Kurmangazy oil field in Central Asia.[26] India also signed an agreement with Uzbekistan to launch a US$60 million joint venture for India's state-owned gas utility.[27]

In addition, due to the connections between regional terrorist groups in Central Asia and the insurgents in Kashmir and the Punjab, the region's cooperation is seen as instrumental to India's anti-terrorist security. India is also seen by the Central Asians as an important gatekeeper of regional terrorism: once the Kazakh President Nazarbayez publicly invited India join the Shanghai Cooperative Organization (SCO) for the sake of facilitating anti-terrorism.[28] Hence Central Asia is also involved in Indian-Pakistani rivalry. In 2004, Uzbekistan was commissioned by the Indian Air Force Mid-Air-Refuelling Squadron (MARS) to build three giant IL-78 MKI refuellers; Kazakhstan also signed a military cooperation agreement with India in 2002 for joint production of military hardware such as torpedoes and heavy machine gun barrels.[29] All these gestures have irritated the Pakistanis. Indeed, India has shown its intention to respond to the great power diplomacy in Central Asia by challenging the Big Three as well. For instance, Phunchok Stobdan, former Director of the Indian Cultural Center, once suggested that the U.S.'s growing presence in the region "forms a compelling reason for India's reclaiming its geopolitical rights and responsibilities in Central Asia".[30]

This said, unlike the U.S., Russia and China, India seems to lack any unique ideology which it can promote in Central Asia. Theoretically, India has several ideological attributes that could potentially become forceful weapons to facilitate its own IED: its democratic values as outlined in the constitution, its Hindu religious thoughts and its

[24] *International Energy Outlook* 2009 <http://www.eia.doe.gov/oiaf/ieo/> (December 12, 2009).
[25] Shiv Kumar Verma, "Energy Geopolitics and Iran-Pakistan-India Gas Pipeline" *Energy Policy* 35, 6 (2007): 3280-3301.
[26] Stephen Blank, "India's Quest for Central Asian Energy" *Eurasia Daily Monitor*, 2, 40 (2005).
[27] Scott Moore, "Peril and Promise: A Survey of India's Strategic Relationship with Central Asia," *Central Asian Survey* 26, 2 (2007): 279-291.
[28] Rahul Bedi, "India and Central Asia," *Frontline* 19, 19 (2002).
[29] Amit Mukherjee, "IAF to get 5th IL-78 refuellers soon," *Indiatimes*, September 29, 2004.
[30] Ibragim Alibekov, "India set to expand presence in Central Asia," *Eurasianet*, March 12, 2003.

traditional commitment to lead the non-aligned movement all have a potential. Yet, although India is also an important player in Central Asia, IED is not yet applicable. Given the need for ideological justification for interest advancement in the 21st century, India therefore remains a great power candidate in the region rather than a great power status holder. The reasons for India's absence from the IED scene in Central Asia is explained in the following sub-section.

Democratic Values in the Indian Constitution

With the creation of its constitution in 1950, the values of representative democracy, the exercise of the vote and individual political liberties were well written into Indian governance. The preamble to the Indian constitution emphasizes the intention to "constitute India into a sovereign socialist secular democratic republic" and to secure for all citizens, justice, liberty, equality and fraternity.[31] More importantly, within the scope of the Indian constitution, only the freely elected representatives in the parliament have the power to make laws and pass amendments; and the judiciary, to which all judges are appointed by the President of India, has no rights for re-examination.[32] In other words, the elected majorities derived from the people dominate the law-making process by constitution.

According to Article 107 of the *Constitution of India*, a bill should be passed by both the House of the People (similar to the U.S. House of Representatives) and the Council of State (like the U.S. Senate) to fulfill the liberal democratic beliefs.[33] The Indian president is also elected by the members of an electoral college consisting of the freely elected representatives of both Houses in the parliament and the elected members from the Legislative Assemblies of States.[34] The adoption and implementation of the Indian constitution is widely praised for the success story of the world's largest democracy.[35] Meanwhile, many Indian scholars such as Austin view the constitution as "a new *Dharmasatra*" (ancient Indian jurisprudence) providing a significant foundation for practicing liberal democracy.[36] Nonetheless, the Western-styled constitution lacks any unique attraction for India when shaping its

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[31] *Constitution of India*, Preamble. Government of India, Ministry of Law and Justice, modified in 2007 <http://lawmin.nic.in/coi/coiason29july08.pdf> (December 17, 2009).
[32] Sen Sarbani, *The Constitution of India: Popular sovereignty and democratic transformations* (New Delhi: New York: Oxford University Press, 2007), p. 35.
[33] *Constitution of India*, Preamble. Government of India, Ministry of Law and Justice, modified in 2007, <http://lawmin.nic.in/coi/coiason29july08.pdf> (December 17, 2009).
[34] *Ibid*.
[35] Stanley Wolpert, *A New History of India* (New York: Oxford University Press, 1982); James David Barber, *The Book of Democracy*. (Englewood Cliffs, N.J.: Prentice Hall, 1995).
[36] Granville Austin, *Working a democratic constitution: The Indian Experience* (New Delhi: New York: Oxford University Press, 2000), p. 653.

foreign diplomacy in Central Asia; those democratic values stated in the Indian constitution are merely viewed as another manifestation of an American constitutional prototype. Unfortunately, those Central Asian states already inclining towards liberal and democratic ideals would naturally be attracted to the U.S. orbit. Democratic values are thus of little use to India for ideologised energy diplomacy.

India's Hindu Religious Thoughts

Within traditional Hindu religious thought, *danda* and *dharma* are two major concepts in ruling a state. The term *danda* means constraint or punishment, while *dharma* is a situation to hold all individuals in society together.[37] With regard to the norms and principles of Hindu inter-state relations, the ruler has a set of duties to be fulfilled in order to be able to attain nirvana through his *dharma* and to *danda*. The ruler has two specified duties: to protect the people and to expand the welfare of the state. The *Laws of Manu*, one of the most important textual writings on Hindu political thought; suggest that protection and expansion are two of the major duties for a ruler:

- Protection: "The Kshatriya he commanded to protect the people, to bestow gifts, to offer sacrifices, to study (the Veda, Shruti), and to abstain from attaching himself to sensual pleasures;"[38]

- Expansion: "What he has not (yet) gained, let him seek (to gain) by (his) army; what he has gained, let him protect by careful attention; what he has protected, let him augment by (various modes of) increasing it; and what he has augmented, let him liberally bestow (on worthy men)."[39]

The rulers thus have a set of restrictions preventing them from descending into tyranny and sacrificing themselves to their "sensual pleasures". Yet, in a realistic world with different states acting in self-interest, those restrictions to a certain extent limit India's participation in Central Asia, whose region holds extremely rich resources. Although the *Laws of Manu* entitle a ruler to expand the national territory, protection of the people still plays the vital role in foreign policies, as "the highest duty

[37] Thomas Pantham and Kenneth L. Deutsch, ed. *Political Thought in Modern India* (New Delhi : Sage Publications, 1987), pp.17-18.
[38] *Laws of Manu*. Internet Sacred Test Archive - Laws of Manu I: 89 <http://www.sacred-texts.com/hin/manu.htm> (December 18, 2009).
[39] *Laws of Manu*. Internet Sacred Test Archive- Laws of Manu VII: 101 <http://www.sacred-texts.com/hin/manu.htm> (December 18, 2009).

of a Kshatriya is to protect his subjects, for the king who enjoys the rewards, just mentioned, is bound to (discharge that) duty".[40]

Concerning India's inter-state diplomacy, the *Mandala* concept in the *Kautilya* precisely portrays a quasi-balance of power tactic in the interactions among states. The *Vijigishu*, who intends to establish its hegemony over others, should be aware of the motives of the other eleven kings of the *Mandala* in order to secure peace.[41] The circumstance of friends and foes changes with the existing political and economic situation. When the nation is situated on the circumference the *Vijigishu* is the enemy (*ari*). Next to the *ari* is the ally (*mitra*), then the enemy ally (*arimitra*), one's ally's ally (*mitra mitra*) then the enemy's ally's ally (*arimitra mitra*).[42] A smart and inscrutable leader should be required to play the political field with wit and strategy. As can be seen, protection rather than expansion is more important in state governance and the complex *mandala* concept is difficult to transpose as a conscientious and moral ideological justification on the changing stage of international politics. Hindu religious thought consequently fails to offer a powerful ideological device for India to expand its presence in Central Asia. Also, although India's Hindu and other cultural legacies might appeal to South Asian countries like Sri Lanka or Nepal, their compatibility with and attraction to the Central Asians remains doubtful.

India's Traditional Commitment to Lead the Non-Aligned Movement

Historically, India has been practicing a foreign policy of non-alignment since 1947 and the Indian government always views the strategy of "non-alignment" as meaning non-aligned with the world's great power bloc and objects to the "lining up for war purposes, military blocs, military alliance and the like".[43] The key to Indian foreign policy lies in its motive of avoiding a world catastrophe. As Rajendra Prasad, the first President of India said in a speech to Parliament, "The Republic of India inherits no enmities or traditional rivalries with other nations and my government intends continuing a policy directed towards securing peace in the world and avoiding any alignment which leads to hostilities with any nation".[44] Due to India's geographical proximity with two of the then largest communist regimes, China and the Soviet Union, non-

[40] *Laws of Manu*. Internet Sacred Test Archive- Laws of Manu VII:144, <http://www.sacred-texts.com/hin/manu.htm> (December 18, 2009).
[41] Roger Boesche, *The first great political realist: Kautilya and his Arthashastra* (Lanham: Lexington Books, 2002), pp. 77-78.
[42] Donald Mackenzie Brown, *The White Umbrella: Indian Political Thought from Manu to Gandhi* (Berkeley: University of California Press, 1953), pp. 59-60.
[43] Sardar Swaran Singh, *Non-alignment: A basic tenet of India's foreign policy*, (New Delhi: Ministry of External Affairs, External Publicity Division, 1972), p. 3.
[44] Paul F. Power, *India's non-alignment policy* (Boston: Heath and Company, 1967), p. 2.

alignment was seen as an essential policy for India to maintain regional peace.[45] However, the "non-interference" foreign strategy adopted by China has increasingly captured greater attention in world politics. Since Chinese Premier Zhou Enlai attended the Bandung Conference in 1955, the norms of "neutrality" and "non-interference" have been repeatedly emphasized by the Chinese leadership.[46] Since the 2000s, China has actively constructed its "peaceful development" (heping fazhan) and "mutual benefits" (huhui huli) images in response to the "China's threat" theory.[47] Kurlantzick argues that China's non-interference strategy is catching the attention of most of the world's countries and thus India's non-alignment norm is overshadowed by China's shining offensive charm.[48] Those favoring a non-aligned leader would be more inclined towards Beijing, particularly as India has gradually moved away from its own original position as the non-aligned movement leader.

Gandhi's Non-Violent Movement

Gandhi, the founding father of India, started a new chapter in solving conflict by the strategy of neither peace nor war. In 1930, Gandhi wrote an ultimatum letter insisting that no government except for the Indian people could solve the issues between India and Britain.[49] Instead of organizing a bloody riot against the British colonial government, Gandhi developed a political philosophy and practice of *Satyagraha* through his non-violent struggle.[50] As Gandhi explained, his quest for peace and harmony was by non-violent means: "The foundation of our movement rests on complete non-violence, whereas violence is the final refuge of the Government. And as no energy can be created without resistance, our non-resistance to Government violence must bring the latter to a standstill."[51]

One of the famous examples is the Salt Satyagraha Movement. During the colonial period, the British government imposed a taxation

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[45] A. P. Rana, *The imperatives of nonalignment: A conceptual study of India's foreign policy strategy in the Nehru period* (Delhi: Macmillan Co. of India, 1976).
[46] Robert Sutter, *Chinese foreign relations: power and policy since the Cold War* (Lanham: Rowman & Littlefield Publishers, 2008).
[47] Zheng Bijian, *China's peaceful rise: Speeches from Zheng Bijian (1997-2005)* (Washington D.C.: Brookings Institution Press, 2005); Alastair Ian Johnston, Robert S Ross (eds.), *New Directions in the study of China's foreign policy* (Stanford, California: Stanford University Press, 2006).
[48] Joshua Kurlantzick, *Charm offensive: how China's soft power is transforming the world* (New Haven: Yale University Press, 2007).
[49] Gene Sharp, *Gandhi as a Political Strategist: with Essays on Ethics and Politics* (Boston: P. Sargent Publishers, 1999), p. 44.
[50] Anand Sharma (ed.), *Gandhian way: peace, non-violence and empowerment* (New Delhi: Academic Foundation, 2007).
[51] Donald Mackenzie Brown, *The White Umbrella: Indian Political Thought from Manu to Gandhi* (Berkeley: University of California Press, 1953), p. 139.

system in order to gain control of the Indian economy. A heavy tax was introduced on salt, and poor Indian people found maintenance of their basic living crushed by the salt tax. In 1930, Gandhi led tens of thousands of Indians on a march to the sea and collected salt as a non-violent protest against the salt tax.[52] Inspired by the boycott of British goods in Bengal and other non-violent actions in South Africa by Africans, Gandhi recognized the various ways of using non-violence, such as economic boycotts, strikes or civil disobedience, for resistance.[53] However, Gandhi's way of solving disputes required a large-scale mobilization of citizens for solid, moral reasons. Lacking any convincing suasion or moral justification in expanding its influence in Central Asia, it would be hard to use Gandhi's non-violent movement as a tactic for IED in the region.

Legacy of the British System

Over time, the British created a new set of rules in India and introduced a new schooling system to teach Indians English in order to communicate with their colonial rulers in a "civilized" tongue.[54] Many of India's founding leaders were educated in Britain and the principle of representative democracy with a parliamentary form of government also derived from the British system.[55] However, the Constitution of India itself provides for seats for "scheduled castes and tribes" and these group members can stand for election in regular constituencies. Their presence is often blamed for unfair and unjust inclusions in the legislature.[56] More importantly, Chidambaram argues that a reluctance to examine the outmoded internal structure by political parties and the unwillingness for change on the part of party leaders are reasons for India's inability to move forwards on a path of progress on both the domestic and international stages.[57] While progress in social development remains slow and half of the adults in India are still illiterate fifty years after independence, many Indians have begun to complain that the Western-style governance and the term *swadeshi* have been used to conjure up fears

[52] Mark Juergensmeyer, *Gandhi's way: a handbook of conflict resolution* (Berkeley: University of California Press, 2002), p. 39.
[53] Anand Sharma (ed.) *Gandhian way: peace, non-violence and empowerment* (New Delhi : Academic Foundation, 2007), pp. 83-84.
[54] Bhikhu Parekh, *Gandhi's political philosophy: a critical examination* (Basingstoke: Macmillan., 1989), p. 13.
[55] Madhava Menon, *Rule of law in a free society* (New Delhi: Oxford University Press, 2008).
[56] Barbara D. Metcalf, Thomas R. Metcalf, *A concise history of modern India* (New York: Cambridge University Press, 2006), pp. 232-233.
[57] P. Chidambaram, "The citizen and the rule of law" in Madhava Menon (ed.) *Rule of Law in a Free Society*, (New Delhi: Oxford University Press, 2008).

of foreign control among Hindu nationalists.[58] In the 21st century, the world has become linked through a nexus of multinational companies and inter-governmental organizations such as the World Trade Organization (WTO) and the International Monetary Fund (IMF). The promotion of India's legacy of the British system as its IED in Central Asia even triggers fear and painful memories of past Western imperialism. As a result, the legacy left it by Britain can also not be used by India as its regional IED.

Tibetan Buddhism: "Untouchable" Dalai Lama for India's IED

Theoretically, India could also claim Tibetan Buddhism, which shares certain ideals with the philosophy of Gandhi, as the basis of its IED, especially as it acts as a host to the Tibetan spiritual leader, the Dalai Lama. Yet, even though the Dalai Lama set up the Government of Tibet in Exile in Dharamsala, in India, the settlement of the Dalai Lama issue remains at the core of the problem in Sino-Indian relations. China continually criticizes India for providing an arena to the Dalai Lama's separatist activities. For example, the Dalai Lama's group in exile was allowed to hold a conference on "Supporting Tibet" in Dharamsala in 1993 and the *Hindustan Times*, one of the most popular English newspapers in India, publicly urged the Indian government to support Tibet's independence from China.[59] The Indian government repeatedly receives complaints from the Chinese leadership for not actively resolving the Dalai Lama issue[60]; and China reacts strongly to any attention the Dalai Lama is given on the international platform. Whenever Taiwan or the U.S. talks of hosting a meeting with the Dalai Lama, the Beijing leadership becomes riled and pours heavy criticism on them for "damaging the mutual relationship".[61] The Dalai Lama is thus a major obstacle for India in extending its political influence in the region; the prolonged strained relations with China naturally detract from the sharp focus on energy resources. Highlighting its support of Tibetan Buddhism for India would not only be certain to irritate China, but would also create a potential separatist threat for the central government of India, especially among the regions with a heavy Tibetan population which are in border disputes with China. As a result, the Dalai Lama is probably an unappealing icon for India to project as its IED in Central

[58] Barbara D. Metcalf, Thomas R. Metcalf, *A concise history of modern India* (New York: Cambridge University Press, 2006), p. 292.
[59] H. F. Chen. *Jiushi niandai zhongguo yu nanya guojia guanxi* [China's relations with South Asian countries in the 1990s] (Chengdu: Sichuan renmin chubianshi, 1995), p. 139.
[60] Isabelle Saint-Mézard, James K.Chin, *China and India: Political and Strategic Perspectives.* (Hong Kong: Centre of Asian Studies, University of Hong Kong, 2005), p. 116.
[61] Geoff Dyer, Edward Luce, "China warns US on plan to meet Dalai Lama," *Financial Times*, February 3, 2010.

Asia, and relying on Tibetan Buddhism to resolve its IED is also impractical.

India's Muslim Population as a Basis for IED

Even though Central Asia has been greatly influenced by Islamic tradition since the ninth century and the population of the five Central Asian nations is dominantly Muslim, the demographic structure of India prevents itself from developing Islamic ideology as a strong IED in Central Asia.[62] Although the Muslim population constitutes the second largest religious group in India, the Hindu population is significantly the greater by a wide margin: according to the Census of India, 80.5 percent of Indian people are Hindu while only 13.4 percent are Muslim. Over-emphasizing Islamic ideology on the global stage might possibly invite opposition from the dominant Hindu groups.[63] More importantly, unlike Christianity, Islam officially has no formal organizations and church because of the absence of a priesthood concept.[64] According to Saleem Qureshi, the Professor Emeritus in the Department of Political Science of the University of Alberta, "a Muslim's duty is to God and neither to any individual nor to any church".[65] Lacking a formal organization or justified grounds by which to spread India's influence in the region makes its Muslim population unappealing for IED to counter other great powers in the region. Resorting to Islam to exercise its IED in Central Asia would not only lead to potential inter-religious conflicts within India, but would also complicate its fragile relations with Pakistan.

Conclusion

To conclude, democratic values in the Indian constitution are simply regarded as another manifestation of an American constitutional prototype. India's traditional non-alignment foreign policy strategy in world politics offers nothing more than China's appealing non-interference tactics. India's ancient Hindu thoughts and modern Gandhi-style non-violence movements are either overly complex or highly moral in practice. The legacy provided by the British administrative system and the Tibetan Buddhists' living Buddha, the Dalai Lama, both fail to impress in realistic terms. Given the above, the most important reason for India's lack of IED in Central Asia can be said to originate from India

[62] "Muslims in Central Asia," *Middle East Resources*, May 18, 1999, pp. 1-6.
[63] Census of India "India at a glance: religious composition," 2001, ‹http://censusindia.gov.in/Census_Data_2001/India_at_glance/religion.aspx› (December 20, 2009).
[64] Ernest Gellner, *Muslim Society* (New York: Cambridge University Press, 1981), p. 48.
[65] Saleem Qureshi, "Islam and Development: The Zia regime in Pakistan," *World Development* 8, 7-8 (1980): 564.

itself: after the end of the Cold War, as Raja Mahon argues, acknowledging the impossibility of transplanting any of these ideologies to its foreign policy arena, the guiding diplomatic principle of India has shifted from idealism towards realism, whereas other superpowers seem to have gone the other way.[66] Some commentators are beginning to view Central Asia as a warming-bed for a looming mini-scaled "new Cold War".[67] Unlike China, Russia and the United States, India seems to lack a unique ideology it can use to fight other major nations in the region. Given the growing presence of the competing IED interests of the U.S., Russia and China in Central Asia, India's lack of one makes it hard for the nation to compete with the other major powers, leaving its Central Asian policy to be realist interest-driven in dominance.

[66] Raja Mohan, "India's New Foreign Policy Strategy," Working Paper for Carnegie Endowment for International Peace, 2006.
[67] Robert McMahon, "Central Asia: Russia and U.S. Often at Odds in Region," October 25, *Radio Free Europe Radio Liberty*, ‹http://www.rferl.org/featuresarticle/ 2005/10/CDA 56301-FF55-4A4F-B4AD-110D147D2DF8.html› (December 11, 2009); Chietigj Bajpaee, "Energy Fuels Cold War," *Asia Times*, March 2, 2005.

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The Petroleum Legal Framework of Iran: History, Trends and the Way Forward

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ABSTRACT
This study offers an overview of the Petroleum legal framework of Iran since oil discoveries in 1907 with an emphasis on the possible reasons for the creation of, or changes to, the country's petroleum legislations. All petroleum laws and some of the important contractual regimes of the history of upstream petroleum industry of the country will be expounded duly. Besides, a concise account of the present legal atmosphere and Petroleum Laws in force is given. This paper also assesses possible alteration to these laws. The study shows how the petroleum legal policy of the country has been moving toward pragmatism as a result of growing needs for foreign investment as more time passes from the Islamic revolution of 1979. On the same grounds, it concludes that changes to the present legal framework i.e., Buy-Back Agreements are very likely to happen although a full-blown return to Production Sharing Agreements is almost a non-issue due to the negative connotation they carry in the country.

Keywords • Iran • Petroleum Industry • Petroleum Law • Constitution of Iran • Buy-back Agreements • National Iranian Oil Company (NIOC)

Introduction

Iran, which possesses the second largest oil and gas resources in the world, was the first oil producing country in the Middle East with

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[1] M. Jalali," A comparative study of two Petroleum Laws; The Constitution of Oil Industry," [in Farsi], *Mashal* 9 (2008): 414.

discoveries as early as the first years of the twentieth century. Petroleum laws typically evolve in response to the growth of the industry to meet ever-rising changes and challenges. Petroleum was not considered a precious enough commodity to necessitate legislation up until the middle of the twentieth century. This was not least because countries were not considered owners of their reservoirs in the then popular concessionary regimes to have to regulate them.

Before 1957, when the first petroleum law of Iran was drafted, western countries had the opportunity to take advantage of the state of lawlessness regarding its petroleum industry reaping substantial profits resulting in massive loss of national revenues for Iran which would have probably not have happened had there been a proper legal framework in place.[1] However, contractual frameworks existed to regulate the relationship between the state and the International Oil Companies (IOCs); Iran is an interesting and probably rare example of a country that has experienced almost all valid and prototypical contractual regimes of all times, namely concessions, Production Sharing Agreements (PSA) and service contracts, all once very popular around the world. The legal frameworks of the oil industry have generally been classified into three categories: (1) general legislation system, (2) individually negotiated agreements, (3) hybrid system.[2] Intriguingly, Iran in its oil history has undergone all three phases in response to global and regional necessities. In this study, the legal framework which has thus far regulated the oil industry in Iran will be examined in order to identify the possible sources of and reasons for these sweeping changes.

Iran started with its much debated oil nationalization of 1951, drafting its first petroleum law a few years later in 1957. She went on to enact another law in 1974, as expected, shortly after the first oil shock. Finally, in 1987, the first and last petroleum law of the Islamic republic was validated in the Islamic parliament of Iran. There have been legislative additions serving to modify this act, however not in the form of an independent Petroleum Law. Besides, the 1979 constitution of Iran alludes to the issue of resources briefly, which had huge ramifications in petroleum contracts. Along with petroleum laws, the different petroleum contractual regimes that have been in force in Iran since the beginning of the industry will be briefly examined here. Although this study is not exclusively legal in nature, it does not particularly concern fiscal specifications of contracts. Special attention will be given to four fundamental issues regarding the legal framework, namely the type of compatible contracts, risk burdens, ownership of petroleum reserves and legitimacy of foreign investment. Finally, this author will share some

[2] S. Saovana, *World Petroleum arrangements and the Role of State* (Unpublished LLM Dissertation submitted to the CEPMLP, University of Dundee, 1986).

thoughts on the likely course Iranian legislation will take in the years ahead.

The paper presents the Iran's oil history in three periods. The first period covers the Individually Negotiated Period, from the discovery of oil to its nationalization. What epitomizes this period was a lack of legal grounds and prevalence of concessions, The second period details the Hybrid Period from 1957 until the Islamic revolution during which two separate parallel regimes, the 1953 oil Consortium and Parliament legislations, co-existed. The final period is the General Legislative Period after the 1979 revolution when all petroleum contracts had to accord with law.

The Individually Negotiated Contracts Period

Until 1951 when the Iranian parliament nationalized its oil industry, there was no particular legislative framework and agreements were individually negotiated with no pre-conditions. In other words, there were no existing legal frameworks in place during the negotiating process between the two parties. However, these individual contracts were validated in the Iranian Parliament to become legally binding once agreement is reached. Normally, and like any other oil rich country at the time, concessions were typically signed between Iranian rulers and foreign individuals or companies. Due to the absence of relevant legislation, the rulers did not encounter any legal restrictions on the type of contracts, terms and conditions, they could agree upon. The two main agreements entered before the nationalization of oil industry in 1951 were the Darcy Concession and the 1933 Concession.

D'Arcy Concession

The first concession ever granted in the whole of the Middle East was in Iran, to William D'Arcy, which led to oil discoveries in the year 1908. The Darcy Concession was typical of a traditional concession with a 60-year term, starting from 1901 lasting up to 1961, including almost all territories of Iran, except for the five Northern provinces which were the traditional preserve of Russia. A consolation as it was, it produced a very small yet constant flow of income for Iranian Kings who were blissfully unaware of the course the fate of the commodity was meant to take in the years to come. The Anglo-Persian Oil Company (APOC) was formed in 1909 in London. The British government procured 51 percent of its shares in 1914, revealing the significance of cheap Iranian oil for Britain. The company was subsequently renamed Anglo-Iranian Oil Company (AIOC) in 1935, and better known today as British Petroleum (BP).

According to the concession, the concessionaire enjoyed the exclusive right to explore, develop, exploit and transport petroleum in return for which the Iranian government was entitled to 16 percent of the net profit on all operations. The Iranian media and Reza Shah objected to the concession after the First World War because little money was paid to the Iranian government, causing acrimony in the conduct of the agreement.

The 1933 Concession

Attempts by Reza Shah as well as an unspoken willingness on the part of the British brought the D'Arcy concession to a premature end. The 1933 concession superseded the D'Arcy Concession but in a way, it only renewed and extended it with terms and conditions not substantially different from those stated in the D'Arcy Concession.[3] The 1933 Concession was agreed for another sixty years (1933-1993). Mohammad Malek identified the key specifications of the 1933 concession as follows:

- A minimum guaranteed payment (of 750.000 pounds annually) plus a royalty of 4s (gold) per ton of oil produced;
- 4 percent as tax to Iran (with a minimum guaranteed tax of 230.000 pounds annually);
- Iran's representation on the board;
- Payment of one million pounds (by APOC) as settlement of all past claims;
- Investment by APOC on Iranians so that this would minimise dependency on skilled foreign employees;
- Reduction of the area to 100.000 square miles;
- Full cancellation of the exclusive right of transportation of oil, 20% of the share to Iran;
- Cheaper oil for Iranians.[4]

The consortium, despite all its disadvantages, enabled Iran to negotiate new concessions on the fields reduced by it. On April 1937, a 60 year old concession with comparable terms and conditions to the 1933 agreement was given to the Americans. However, they did not meet with any success in exploration lost interests in the fields in 1938.[5] Throughout this period, the ownership of all petroleum reserves underlying the concessionary territory was vested in the concessionaire. It was the

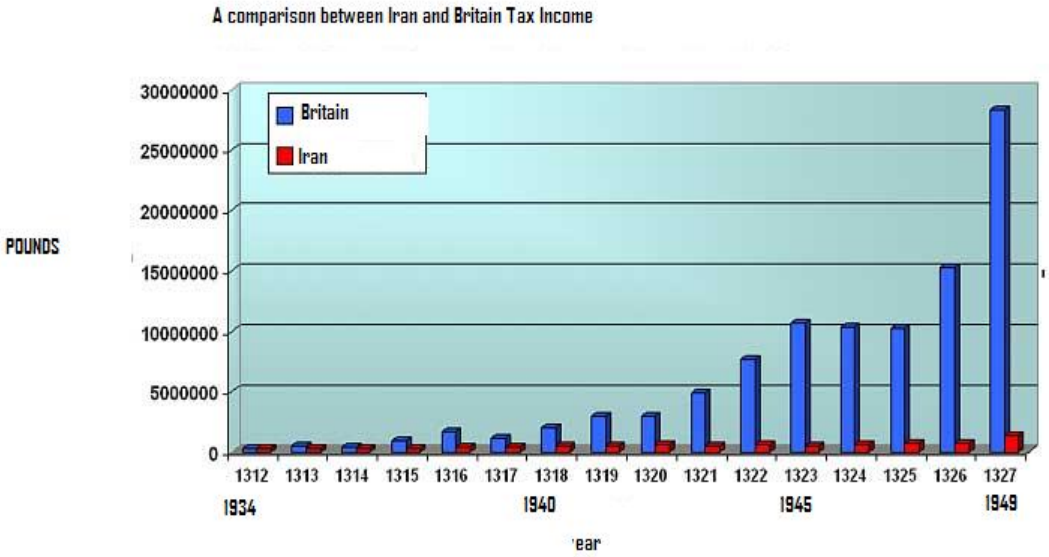
[3] Bukhara Magazine, Speech by Mohammad Ali Movahed, Transcript, [in Farsi], Available online <http://www.bukhara-magazine.com/?p=985> (January 17, 2010).
[4] Mohammad Malek, "Oil in Iran between the Two World Wars," <http://www.iranchamber.com/history/articles/oil_iran_between_world_wars.php> (January 20, 2010).
[5] *Ibid.*

concessionaire who decided what it wished to do with its petroleum reserves as well as any other mineral resources it could extract within that territory. Concessions were normally agreed for a long time. There were no legal bans on foreign investment. Risks were totally undertaken by the concessionaire and the governments were not inclined in any way to have any involvement or control.

Hybrid Period: Following the Nationalization of the Iranian Oil Industry

A set of reasons including, above all, financial inequalities and rampant poverty in Iran[6] gave rise to a nationalistic movement in Iran pioneered by Mosadeq which culminated in the nationalization of Iranian oil Industry in 1951. Chart 1 highlights the shared petroleum taxation revenues between the British and Iranian governments. It can be noted that the British government made far more money from petroleum taxation than did Iran from royalties. The scale of poverty in Iran as well as this sheer inequality might have affected nationalistic movements in Iran.[7]

Chart 1. A Comparison Between Iran and Britain Tax Income



Source: "Story of Oil," [In Farsi] at: http://www.tebyan.net/index.aspx?pid=10893 (January 18, 2010).

[6] See Jerrold L. Walden, "The International Cartel in Iran: Private Power and the Public Interest," 11 Journal of Public Law 69 (1962).
[7] Fariba Kazem Nia, "Story of Oil" [in Farsi], <http://www.tebyan.net/index.aspx?pid=10893> (January 18, 2010).

According to the nationalization law validated by both Iranian Parliaments[8], the entire oil industry was nationalized and all relevant stages "including exploration, development and exploitation were to be carried out and controlled solely by the Iranian government."[9] For the first time in the history of Iran, the country was legally considered the owner of its petroleum wealth. However, financial difficulties as well as deliberate attempts by the intelligence of the United States undermined the Mosadeq government. The plans for nationalization and Iranian ownership of its oil assets were brought to an early end in 1953 through a U.S.-British backed military coup.[10]

1953 Oil Consortium

After Mosadeq's government was overthrown, negotiations restarted resulting in an agreement with a consortium consisting of seven major American oil companies and British Petroleum as its shareholders. The agreement was a very complicated and long document composed of 51 articles attempting to reconcile its concessionary nature with the Iranian Nationalization Act concealing its sheer lopsidedness. For example, the word "stated payment" was used instead of Royalty, because of the negative connotation attached to the latter, and Iran was even denied its share in the consortium[11]. The title to oil was transferred to the consortium once the oil reached wellhead,[12] making the Iranian government an owner with no rights.[13] The contract was for 25 years but could easily be extended for up to another 15 more years. In fact the Consortium was an agent working on behalf of the National Iranian Oil Company (NIOC). Based on Article 28 of the agreement, the consortium was exempted of all custom tariffs and taxation.

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[8] Before the 1979 revolution, the Country used to have two Parliaments namely The National Parliament and the Senate, both of which were required to validate Concessions before they would come to force.

[9] Nationalization Act, Iran National Parliament, (1951).

[10] For more information on The Iranian Oil Industry and Mosadeq's movement see: Mostafa Elm, *Oil, Power and Principle: Iran's Oil Nationalization and its Aftermath* (New York: Syracuse University Press, 1992).

[11] Mahmoud Toloui, *Power game, Oil war in the Middle East* (Tehran: Elm Publication, 1993).

[12]Mohammad Amir Sheikh Noori, "The Consortium Concession Bill" [in Farsi], <http://www.zamaneh.info/articles/875.htm> (January 20, 2010).

[13]Harvey O'Connor, "How the international oil cartel carved up the oil resources of Iran after the overthrow of Mossadegh; A full account of a little-known story by an expert in the oil-industry field: The Iranian Oil Grab," *(1955)*, <http://www.marxists.org/history/etol/newspape/amersocialist/amersoc_5504-a.htm> (January 12, 2010).

1957 Petroleum Law[14]

Before the 1951 Nationalization of the Iranian Oil Industry, all operations were conducted by the foreigners and the government played the role of a bystander watching.[15] According to Ramazani,

> "After the passage of the Nationalization law (1951), the Iranian government went to the other extreme by controlling 'all operations of exploration, extraction and exploitation'. The grave economic and political conditions that ensued in the subsequent years revealed that realism demanded modernization. Thus, it was decided to encourage the flow of foreign investment in oil, but at the same time provide for Iran's participation through some kind of partnership with foreign oil concerns."[16]

Four years after the Consortium agreement, the first petroleum law of the Iranian history was drafted. However, it did not address the territories already granted to the Consortium.[17] It was rather an essential legal background to further cooperation with other IOCs for attracting much needed investment and technology. During this period, Iran had a contractual regime unaffected by legislation, the Consortium, and a separate legislative framework for areas outside of the Consortium territories. The Act prescribed Joint Ventures with government participation. The minimum share for National Iranian Oil Company (NIOC) participation in any of the ventures had to be 30 percent[18], which was a principle not always adhered to. As was the case with the 1953 Consortium, contracts were to be agreed for a period of 25 years[19] with compulsory relinquishment requirements starting after 10 years[20] not leaving the IOC with more than 1000 square kilometers.[21] Agreements had to contain a minimum IOC operational undertaking and be passed by both Iranian Parliaments. Contrary to the Consortium agreement, foreign companies were liable to all forms of taxes. Until 1974, based on this Act, a number of Joint Operating Agreements (JOAs) and Production Sharing Agreements between Iran and IOCs were struck.

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[14] The Law regarding exploration, discovery and extraction of Oil in all regions of the country and Continental Shelf, National Parliament of Iran, 1957.
[15] Rouholla Ramazani, "Oil and Law in Iran," *Journal of John Bassett Moore Society of International Law* 2 (1961-1962): 56.
[16] *Ibid.*
[17] Article 1, The Law regarding exploration, discovery and extraction of Oil in all regions of the country and Continental Shelf, National Parliament of Iran, 1957.
[18] *Ibid.*, Article 6.
[19] *Ibid.*, Article 7, Paragraph 4.
[20] *Ibid.*, Article 7, Paragraph 3.
[21] *Ibid.*, Article 8, Paragraph 6.

1974 Petroleum Law

The National Iranian Parliament passed the Petroleum Law in 1974.[22] As a result, the 1957 law was abolished.[23] This law was enacted merely one year after the first oil shock in 1973 justifying a different legal regime. Based on this law, the oil industry of Iran was once again declared national,[24] this time in a true sense, although the NIOC was permitted to attract investments only through service contracts.[25] Based on this contractual mechanism, foreign concerns are merely contractors which receive remuneration in return for the services they provide and are not entitled to any oil neither in the reservoir nor at well head in contrast with previously used mechanisms such as Concessions and Production sharing Agreements. For the first time, a systematic and competitive bidding system was established and specific provisions as to remunerations were devised; it was dictated that they were to be paid only in the form of discount for crude oil.

The 1973 oil shock obviously elevated the bargaining position of the Iranian government which, following the latest global trends, longed for a more efficient contractual regime with higher government takes and maximum control. Service contracts catered for such demands. Based on the Act, the NIOC was allowed to add provisions tailored to meet the interests of the country to individual contracts it negotiated, which required parliamentary approval. Contract terms would be divided between exploration and exploitation, the former being extendable for another five year period.[26] During this period, ownership of oil belonged to the state. However, until 1974 oil at well-head could be owned by the IOC. Based on the 1974 Act, PSAs were no more than a valid contractual regime. Needless to mention, the Consortium remained in force and unaffected by Parliamentary legislations until the 1979 Islamic revolution.

General Legislation Framework

The Consortium agreement as well as all other contracts thought of as contrary to law were unilaterally ended after the 1979 Islamic Revolution, marking the birth of a new era of Petroleum legal framework in Iran. During this period the discretion of the state as to what type of contractual regime it could engage in was completely confined within the Legislative Framework in place.

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[22] Petroleum Law, National Iranian Parliament, Iran Senate, 1974.
[23] *Ibid.*, Article 29, Paragraph 6.
[24] *Ibid.*, Article 3, Paragraph 1.
[25] *Ibid.*
[26] *Ibid.*, Article 10.

1987 Law[27]

This was the first and last Petroleum Law of Iran after the 1979 revolution and it abolished all previous legislations,[28] it was validated during the exhausting eight-year war against Iraq which obviously influenced the mentality of law makers. A notable change of wording in this Act was the replacement of the NIOC, held in all previous legislations to be the one authority responsible for all petroleum activities in the industry, with the Petroleum Ministry, established after the Islamic revolution, in all relevant articles of this law. However, it should be noted that the NIOC as well as other national companies in the petroleum sector has continued, to this day, to deal with all petroleum related issues of the country under the auspices of the Petroleum Ministry. According to Article 2 of this law, all petroleum reserves count as Public Wealth in the disposal of the Islamic Regime The significance of this law is in forbidding foreign investment completely[29] as an attempt to domesticate the petroleum industry rendering it independent from any foreign assistance or participation. The reason for this can be traced in the ideological atmosphere of the war-stricken Iran. Financial investment had to be made by the state from the country's annual budget.[30] This, however, was a very hard goal to achieve. Pure service contracts were the only viable option during this period and foreign companies rendered services without investment in return for a fixed amount of remuneration paid from sales of oil.

1979 Iranian Constitution

Iran's Mashrouteh Constitution of 1906 did not contain any regulation as to the state's rights and obligations regarding its natural resources except for requiring Parliamentary validation of all types of concessions. However, partly as a result of the allegedly poor management of natural resources before the revolution, the Islamic Constitution of 1979 made specific reference to natural resources and concessions. It took an idealistically strict position so as to minimize corruption, foreign control and mismanagement. [31]

In this study, the author will examine the key articles of the constitution relevant to natural resources. There are a number of articles in the constitution having to do with mineral resources and inevitably

[27] Petroleum Law, Iranian Islamic Parliament, 1987.
[28] *Ibid.*, Article 12.
[29] *Ibid.*, Article 6.
[30] *Ibid.*
[31] Whether it did in fact achieve its goals, as well as whether there had been mismanagement at all, are subject to debate and study among researchers.

with the oil and gas industry one way or another. As will be noted, they tend to be vague and require more detailed parliamentary legislation.

Article 44 - Nationalization of Major Industries: According to Article 44 of the 1979 Constitution, all the mother industries are owned and controlled by the state. This article in fact indicated the nationalization of all major industries in the sense that private ownership in these industries were disallowed after the Islamic revolution. However, privatization of most mother industries became legally feasible later on through legislation,[32] with the petroleum industry remaining an exception. Thus, even now, the petroleum industry cannot be privatized like, for example, the electricity sector. In fact, Article 44 of the Constitution not only forbids any form of private ownership but also prohibits private participation i.e. investment, be it foreign or domestic since it uses the words "owned and controlled by the state". The 1987 Petroleum law takes the same policy and explicitly declares foreign investment illegal.

Article 45 - Natural Resources as "Anfal": This article regards mineral resources as "Anfal," namely, public wealth and property, which is an Islamic concept mentioned in the Holy Koran.[33] It states that,

> "Anfal i.e, Public wealth and property, such as uncultivated or abandoned land, mineral deposits, seas, lakes, rivers and other public water- ways, mountains, valleys, forests, marshlands, natural forests, unenclosed pastureland, legacies without heirs, property of undetermined ownership, and public property recovered from usurpers, shall be at the disposal of the Islamic government for it to utilize in accordance with the public interest. Law will specify detailed procedures for the utilization of each of the foregoing items."

Based on the Holy Koran, Anfal belongs to God and the Prophet. All Iranian laws are based on and should accord with Shia Islamic teachings.[34] This article leaves Anfal to the government which will utilize it in pursuit of public interest. Based on Shia Islamic teachings, Anfal cannot be transferred or sold to anybody. This is therefore a serious barrier in negotiating any agreement that might give title to oil, either in place or at well-head, to a private party be it foreign or domestic.

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[32] General Policies of Article 44 of The Constitution of The Islamic Republic Of Iran, Exigency Council, 2005.
[33] Holy Koran, Anfal, 001.
[34] Article 4, The Constitution Of the Islamic Republic of Iran, Constitutional Council of Wise Experts, 1979.

Article 81 - On Foreign Concessions: This article forbids the concessionary system completely. It states that,

> "The granting of concessions to foreigners or the formation of companies or institutions dealing with commerce, industry, agriculture, service, or mineral extraction, is absolutely forbidden."

The phrase "absolutely forbidden" in the context of the 1979 Iranian Constitution means it cannot be legitimized even if approved by the Parliament. As well as precluding the Iranian government from being party to concessions, it prohibits the government from giving foreigners the right to form companies or institutions dealing with mineral extraction. This article is often used as a reason why Joint Operating Agreements or joint ventures are not legally possible. In other words, the government is the only authority which can legitimately deal with natural resources.

Therefore, it can be inferred that based on the three mentioned articles of the IRIC, concessions as well as PSA and Joint Operating Agreements or any other contractual regime involving foreign participation and control (Article 44), ownership (Article 45), or establishment of foreign companies (Article 81) is not allowed.

The Legal Basis of Buy-Back Agreements:

In early 1980s, the government used engineering, procurement and construction (EPC) or Turn-key contracts which were thought to be compatible with the constitution and used public funds.[35] In 1987, as a response to the dearth of funding, NIOC was authorized to obtain short- and medium-term loans from foreign financial institutions to finance five of its oil and gas projects.[36]

In the year 1993, for the first time after the 1979 revolution, the 1993 Budget Act allowed the NIOC to have contracts of up to US$2.6 billions with competent foreign companies on a number of conditions.[37] It was the Budget Act of 1994 that did in fact introduce the terminology and mechanism of buy-back contracts as the legitimate source of attracting investment. Buy-back agreements, succinctly put, are risk service

[35] Abdolhossein Shiravi and Nasrollah Ebrahimi, "Exploration and development of Iran's oilfields through buyback," *Natural Resource Forum* 30 (2006): 199–206.
[36] *Ibid.*
[37] Budget Act, Islamic Parliament of the Islamic Republic of Iran, *Iranian Official Gazette*, 1993. No. 13966 dated 25/11/1371 (February 25, 1993).

contracts by which oil, or money from oil sales, is paid to the foreign Company as remuneration fee. According to Note 29 of the Budget act[38], a maximum of US$3.5 billion dollars of foreign investment was allowed provided that it did not create any commitment for the government and state banks and all the instalments were to be paid out of the proceeds. This was a leap financially justified and Constitutionally legitimate, as Budget Acts are validated by the Parliament.

More attention was given to buy-back contracts during the second and third Plans for Economic Social and Political Development Acts. The Budget Acts continued on an annual basis, for five years until 1999, to consent such levels of foreign investment until a separate piece of legislation validated Buy-back agreements as the main upstream oil and gas contractual mechanism of the country. There have been three different generations of Buy-back each attempting to create more incentive for foreign investment.[39] In 2003, for example, based on the 2003 Budget Act NIOC was authorized to include both exploration and development in Buy-Back contracts.[40] Some, however, view legitimizing foreign investment, as a step backward arguing it does not serve the benefits of the country's independence and opens doors for corruption and rent seeking.[41]

General Reasons for Legal Changes:

Table 1. reflected below summarizes the changes in petroleum legal regimes, including legislation and contracts, over the course of Iran's oil history. As can be seen in the table, petroleum laws in Iran increasingly grew stricter. This trend is similar to many other resource rich countries in the world. In the case of Iran, it was only during the 1990s, after 8 years of prohibition, when the government decided to use foreign investment again through buy-back contracts. Ever since then, the government has tried to present more appealing buy-back models increasingly loosening the conditions.

[38] Budget Act, Islamic Parliament of the Islamic Republic of Iran, *Iranian Official Gazette*, 1994. No. 14313 dated 7/2/1373 (April 27, 1994).
[39] Nasrollah Ebrahimi, "A look at enhancements of upstream petroleum contracts: Third Generation of Buy-Back agreements," *Mashal* 468 (2010): 9.
[40] Budget Act, Islamic Parliament of the Islamic Republic Of Iran, *Iranian Official Gazette*, 2003. No. 16917 dated 9/1/1382 (March 29, 2003).
[41] Zhale Vafa, *Dissecting the Oil Mafia,* ‹http://mag.gooya.com/politics/archives/044240.php› (January 22 ,2010).

Table 1. Iran's Changing Petroleum Legal Regimes (1971 - Present)

Period	Title to Oil	Foreign Investment	Compatible contracts	Risks
1971-1953	IOC	ALLOWED	All	IOC
1957-1974	STATE	ALLOWED	PSA/JOA	IOC
1974-1987	STATE	ALLOWED	Service	IOC
1987-1994	STATE	N/ALLOWED	Pure service	STATE
1994-Now	STATE	ALLOWED	Buy-Back	IOC

Iran started with its 1957 petroleum law which has been described as pragmatic.[42] This was the first-ever detailed legislation considering natural resources. However, as discussed above, a few years before this law, the Iranian Parliaments had nationalized the petroleum industry completely, which could not survive for more than two years and has been described as radical and unrealistic.[43] An important incentive for Iran was to participate in production and maintain a degree of control on its own resources.

The 1974 law was more of a response to the 1973 oil shock and an attempt to capture a greater proportion of the resource rent. This prescribed service contracts and was a reflection of the maturity of the Iranian oil industry. The 1987 law was however, an ideologically driven legislation which obviously stemmed from the statist attitude of the Islamic Republic towards the economy, and underscored its pessimistic attitude towards foreign participation, obviously exacerbated during the war. However, the pressing need of the Iranian petroleum industry for capital did not allow this mind-set to last beyond 10 years. A more pragmatic attitude was adopted from the 1990s onwards at attracting foreign investment. The change was necessary because of an obvious failure in and an inadequacy of the previous system in prescribing pure service contracts. In other words, it was a return to the 1974 law with only an insignificant alteration of the terms used i.e., prescription of Buy-back instead of Risk service contracts.

The Enactment of Protection and Encouragement of Foreign Investment Act[44] in 2003 bears testimony to the claim that the Iranian Regime was changing its previously strict and xenophobic attitude towards foreign investment. The act which grants assurance to foreign investors, facilitates the approval procedure and introduces new

[42] Ramezani, "Oil and Law in Iran".
[43] *Ibid*.
[44] Protection and Encouragement of Foreign Investment Act, Islamic Parliament of Iran, March 23, 2003.

contractual mechanisms for foreign investment was the first of its kind after the 1979 Revolution. This new found pragmatism, more than anything else, had to do with the country's inability to provide funds for its very capital intensive economic projects particularly in the upstream petroleum industry, along with the stressed role of foreign investment in development of the country during the Presidency of President Mohammad Khatami (1997-2005). It was during this period that the government demonstrated willingness to engage itself in bilateral investment treaties and Double taxation treaties with developed countries. More signs of pragmatism can be detected in a massive privatization program aimed at transferring ownership of most mother industries to private owners starting in 2005.[45]

The Iranian experience suggests a number of reasons giving rise to or justifying legislative changes. This can be summarized under three headings. It should be acknowledged that more often than not it is not a single reason but a combination of these reasons lead to changes in legal policies:

- Ideology: This was particularly obvious in the case of the 1987 law. The 1951 nationalization of the Iranian oil industry was also ideologically driven.

- Oil Price Fluctuations: Changes in oil prices affect the bargaining position of oil producing countries vis-à-vis foreign IOCs. At times when prices are higher, there certainly exists more willingness for investment and risks are welcomed in return for prospectively higher revenues. After the 1973 oil boom, the government modified its contractual mechanisms to obtain higher income.

- Failure of Existing System: Petroleum laws are always legislated with a number of implicit goals. The establishment of the Consortium and legislation of the 1957 was a tacit acknowledgement of the failure of the previous system i.e. complete control and ownership provided for by the Oil Nationalization Act of 1951. Buy-back mechanism also owes its existence, at least partly, to the failure of the state in funding the petroleum industry from its own budgetary resources.

[45] General Policies of Article 44 of The Constitution of The Islamic Republic Of Iran, Exigency Council, 2004.

The Way Ahead

Iran, with a production capacity of 4.2 billion barrels a day, is in need of US$70 billion of investment in the mid-term to raise its production capacity to an ideal level of seven million barrels per day in 2020.[46] It is predicted that if the country does not get sufficient investment in the upstream oil business, its current capacity will decrease to less than 3 million barrels per day.[47] The question of whether buy-back contracts have been successful or not is usually not answered affirmatively. The mechanism has failed to meet the country's pressing need for investment and needs to be reviewed.[48] Iranian buy-back is not investor friendly enough and does not provide investors with the certainty they seek compared with its alternatives namely PSA and License agreements[49].

Changes to this mechanism seem almost inevitable. The failure of buy-back contracts to attract sufficient investment, as well as other issues like U.S. sanctions, compounded with the ever increasing need for foreign investment, and increasing domestic consumption, necessitate modifications in the present legal system. As seen so far, changes happen in response to circumstances, for example, the legal ban on foreign investment in the petroleum sector was lifted in Iran through the introduction of Buy-Back agreements at least partly because of the need of the country to attract investment. Therefore, changes are very likely to be made to the law, to allow for contracts that are more favourable to foreign investors especially as more and more petroleum reservoirs are being depleted. Besides, highly unfavourable contracts have so far deprived the country of its much required Foreign Direct Investment in gas and petroleum related projects. This is especially true when non-unitized common oil and gas reservoirs, such as the South Pars which create some kind of a competition between the country and its neighbours, are concerned.

Whether the country would give up its buy-back regime in favour of a classic production sharing arrangement in its Southern Reserves is almost a non-issue due to the legal ownership of oil and very low geological risks in those regions. However, there have been serious discussions about the possibility of granting PSAs in the Caspian Sea,[50]

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[46] Mirmoezi, "Role of Middle Eastern NOCs in world oil industry and necessity of structural reforms and productivity," *Ninth international IIES Conference, Proceedings of the Conference*, 2004, Tehran, Iran [in Farsi], also available on <www.iies.org>.
[47] Iran Energy Report 2003, IIES, 2003. <www.iies.net> (January 18, 2010).
[48] Willem J.H. van Groennendal, Mohammad Mazaraati, "A critical review of Iran's buyback contracts," *Energy Policy* 34 (2006): 3709.
[49] Abdolhossein Shiravi and Nasrollah Ebrahimi., "Exploration and development of Iran's oilfields through buyback," p. 13.
[50] *A report from legal infringements in Petroleum contracts* (September 3, 2008), <http://www.advarnews.us/politic/7825.aspx> (January 18, 2010).

where investment is not yet very attractive. Undoubtedly, such a decision will face domestic resistance and displease and is likely to be regarded as a step backward.

Conclusion

A historical study of the trend of the Iranian petroleum legal framework reveals that it has thus far been a reflection of political, ideological and global significance attached to natural resources as well as internal developments. Iran's history is fraught with moments of emotional and nationalistic radicalism as well as workable pragmatism. Based on the presented material, it can be concluded that as more time passes by from the Islamic Revolution of 1979 the trend is that more pragmatism is creeping into the country's petroleum policy causing the country to call for more foreign investment. Since the present system of Buy-Back Agreements, has not met with considerable success, some amendment to the present framework seems inevitable. This is particularly more probable with respect to Northern Caspian Sea reserves, which do not benefit from the same low risk conditions of the south, or gas reserves. The offshore Caspian fields require substantial investment in return for less financial prospect, and are therefore less attractive for prospective investors. However, it should be stressed that there is very little likelihood that a classic Production Sharing or License agreement can be adopted in Iran without arousing much objection. The reason for this can be traced back to the history of the country's petroleum industry and the negative attitude it has developed towards foreign control and participation as a result.

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Rethinking Europe's Gas Supplies After the 2009 Russia-Ukraine Crisis

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ABSTRACT

The Russia-Ukraine gas crisis of 2009 may seem faraway, but within the EU, the discussion on how to prevent - and if not, how to prepare for - the next crisis is intense. In this regard, this paper offers economic and geopolitical analysis and prospects of the European gas supplies after the latest "gas war" in 2009. In particular, the paper addresses a manifold debate within the EU, namely, the security of its gas deliveries, the options and diversification of the EU gas supplies, and the EU strategy towards future emergencies. It also looks at EU-Russia gas relations after the latest "gas war", and at Gazprom's behaviour.

Keywords • 2009 Russia-Ukraine crisis • European Gas Supply • EU Energy Security • Caspian region • Gazprom • South Stream • Nabucco • Nabucco Light • LNG • Nord Stream • Energy Charter Treaty

Introduction

In January 2009, the European Parliament discussed the latest Russia-Ukraine gas crisis. Members from all sides agreed that Russia and Ukraine had forfeited their status as reliable gas suppliers.[1] Given that

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[1] "Re-thinking Europe's Gas Supplies After the Russia/Ukraine Crisis," European Parliament's Official Website, January 26, 2009, <http://www.europarl.europa.eu/news/public/story_page/ 051-47101-026-01-05-909-20090126STO47091-2009-26-01-2009/default_en.htm> (February 13, 2010).

this statement was dated January 26, 2009, the puzzling part of the story is why Russia and Ukraine were not on the European Union's (EU) list of unreliable energy suppliers already - i.e. why weren't they placed there after the first "gas war" in January 2006? The problem that Europe faces is that, for the moment, there are very few alternatives to buying Russian gas. According to the International Energy Agency (IEA) the EU imports 50 percent of the energy it consumes, a figure that could rise to 70 percent by 2030. About 44 percent of all imported gas comes from Russia. 16 percent comes from Norway and 15 percent from Algeria, while the rest comes from Libya, Nigeria and Central Asia. 80 percent of that Russian gas goes through Ukraine.

The IEA's "Outlook for European Gas Demand, Supply and Investment to 2030" and its study on indicative gas supply costs to Europe in 2010-2015 examined three gas pipeline import routes into the EU - through South Europe, Turkey and East Europe. It concluded that the costliest route would be through East Europe. Moreover, gas supplied through East Europe would come essentially from Russia, except one field in Kazakhstan, while its costliest option - coming from Russian Barents sea via Baltic Sea - would exceed US$3/MBTU (1,000 cubic foot of gas is comparable to 1 MBTU) - the figure which is much higher than the highest cost of Liquefied Natural Gas (LNG) supply.

The situation worsened in 2008 after the Russia-Georgia conflict. The latter affected the traffic of the Baku-Tbilisi-Ceyhan (BTC) pipeline, running through Georgia from Azerbaijan to Turkey. The South Caucasus pipeline, Baku-Tbilisi-Erzurum (BTE), which runs from Azerbaijan through Georgia, still sends very limited quantities of gas to Europe. Meanwhile the Nabucco pipeline, which is supposed to transport approximately 31 billion cubic meters of gas annually from the Caspian Sea to Europe in 2020, is still in its pre-construction phase. As a result, four alternatives of gas supply options were discussed by the European Parliament in January 2009,[2] namely, South Stream, Nabucco, Nabucco light, and LNG. Each of these four alternatives will be briefly analysed.

At the outset, it is worth mentioning that there are two explanations for Russia's behaviour in Ukraine. The first is the "commercial" interpretation, which views the conflict as a commercial dispute. According to this explanation, Russia had previously priced its natural gas sales to the former Soviet republics and former Eastern European satellites well below market prices. As Russia's state-owned natural gas monopoly Gazprom gradually liberalised and integrated with the market economy, it started to depend increasingly on exports as a means to generate revenue, and less so from the old price-controlled sales. It therefore acquired a strong interest in raising prices for its former

[2] *Ibid.*

political customers up to market levels. But its attempts to raise gas prices to Ukraine were met by Ukrainian refusal to pay its gas bills. Hence, Gazprom did what any commercial entity would do when a customer refuses to pay - it cut the customer off. While the commercial argument may have been relatively credible between 2006 and 2008, more recent developments - particularly the fact that price increases seem to have been concentrated on governments that the Kremlin considered "unfriendly" - make it harder to accept now.

The second explanation is a "strategic" argument. According to this view, Russian behaviour towards Ukraine is politically motivated - a kind of censure for the Ukraine's flirtation with the West through its interest in NATO. The Russia-Georgia conflict, which affected the traffic of the BTC pipeline, only strengthens this hypothesis. The truth is likely to be between benevolent and malevolent interpretations. Gazprom appears to behave as any other commercial entity would when faced with a non-paying customer. At the same time, one should bear in mind that state-owned companies such as Gazprom and Rosneft can also be influenced, to some extent, by the course of Russian foreign policy. This influence may be exerted partly through the state's controlling share in those companies, which directly affects the composition of their boards, and partly through informal pressure.

Gas Supply Options for Europe

South Stream Pipeline

This project was launched in 2007 by the Italian company Eni S.p.A. and the Russian gas giant Gazprom. Based on the latest information from the official South Stream website, the pipeline is designed to transport 63 billion cubic meters of Russian gas annually to Europe. Several optional gas pipeline routes are addressed including onshore sections across Russia and several European countries, as well as offshore gas pipelines via the Black and Adriatic Seas. While it will ultimately connect the Russian and the Bulgarian costs, it seems that it could land alternatively at Burgos or Varna in Bulgaria, and then go through a number of South and Central European countries, in order to run to Austria. An alternative option of gas supply is to go through Southern Italy. It could also start alternatively from Dzhubga or Anapa - Russian Black Sea ports - and go through Turkish waters. On August 6, 2009, Turkey and Russia signed the agreement allowing the pipeline to go through the Turkish waters of the Black Sea.[3] The project could allow Gazprom to control gas fields in the Caspian Sea region, particularly if attempts by the United States and

[3] ArielleThedrel, "La bataille des gazoducs fait rage à Ankara [The battle over pipelines rages in Ankara]," *Le Figaro*, August 6, 2009.

the EU to expand the Nabucco pipeline, which Gazprom is not part of, should fail. South Stream's main disadvantage is that it would run 900km along the bottom of the Black Sea at depths of 2,000m - a very expensive technology. With an estimated cost of €15 billion, the project must somehow be made economical. Two scenarios are possible here - a monopolist situation and a free-market one. A monopolist might be able to pass these costs on to its customers. Hence, from a monopolist point of view, the simplest way to do this is to increase gas prices. It appears that the eventual burden would lie down on European gas consumers. Indeed, at present, Russia is not only hypothetically able to systematically increase the price of gas, but it is also very likely to do so. Gazprom could implement such a situation by maintaining a low supply capacity in its pipelines for a while, losing money in the short-run. Viewed from this angle, Gazprom seems to expect that it would be able to eliminate competition in the medium-run, and eventually control an entire network of pipelines. Furthermore, it appears that Gazprom is pursuing a strategy of avoiding transit through countries with what it considers as "unfriendly" governments.

The South Stream pipeline can be seen as being part of such a monopolistic strategy from both the commercial and strategic interpretations of Russia's behaviour. Following the commercial argument, Gazprom is merely trying to avoid untrustworthy customers. However, from the strategic view point, Gazprom's plan aims to avoid precisely - and only - those former Soviet republics and former Eastern European satellites that are clearly "pro-America". In addition, an European expert in the field, Alan Riley, has noted that South Stream would not bring any new gas into the EU, but simply gas diverted from the Ukrainian pipelines.[4] Consequently, in the monopolist situation, the EU would be paying heavy costs for a new pipeline just because Ukraine and Gazprom cannot find common ground.

A counterargument asserts that in a competitive market, such unnecessary extra costs would have to be borne by the seller, since prices would be set in the marketplace. In addition, current markets conditions suggests that it would be very difficult to pass the excess costs of South Stream on to customers. For example, in 2008, Gazprom finally gave European "market prices" to Turkmenistan and Kazakhstan, thereby reducing their incentives to find a non-Russian outlet. Again, following the commercial interpretation, it was a market concession, but from the strategic standpoint, it was a wrong step in an effort to control the Caspian supply, since prices in Europe have collapsed and Gazprom has

[4] "City University London Professor Recommends 'Nabucco Lite' Pipeline to the European Parliament," March 12, 2009, <http://www.city.ac.uk/news/archive/2009/01_January/21012009_5.html> (December 5, 2009).

been paying more to the Caspian suppliers than it has been able to recoup from its European customers.

Nabucco Pipeline

The most impressive examples of Russian "divide and rule" tactics can be seen in the Caspian region through the Nabucco, BTC and BTE Pipelines. A victim of disagreements between the EU and its Russian partner, the Nabucco pipeline aims to transport gas from the Caspian region to Vienna, Austria, across the Turkish-Georgian and the Turkish-Iranian borders. According to the official Nabucco website, the pipeline length is approximately 3,300km and designed to transport a maximum amount of 31 billion cubic meters per annum. The gas would be transported via Turkey, Bulgaria, Romania and Hungary. Europe aims to diversify its energy sector through Nabucco by bringing non-Russian gas that avoids politically sensitive transit corridors in Ukraine.

The project was launched in 2002 and the Turkish oil and gas pipeline company BOTAS joined the European partners in 2009 in a formal declaration of support for Nabucco. To date the project's partners are BOTAS AS (Turkey), BULGARIAN ENERGY HOLDING EAD (Bulgaria), MOL Plc (Hungary), OMV Gas & Power GmbH (Austria), and RWE AG, TRANSGAZ S.A. (Romania). French energy giant Gaz de France was also interested in becoming a partner - first in 2007. However, the French Parliament recognised Ottoman atrocities against the Armenians during the First World War as an act of genocide. This then led Ankara to veto French participation in the project. In 2007, Gaz de France was considering a stake in the South Stream pipeline,[5] and in 2009 - in the Nord Stream consortium.[6] Most recently, in the beginning of 2010, the company started to plan to re-negotiate its probable role in the Nabucco project, and hence to re-discuss a possible role in the pipeline for Europe.[7] The most recent updates on the official Nabucco website indicate that the project will cost around €7.9 billion. Contrary to its rival South Stream, Nabucco will run essentially on land. However, the reluctance of the private sector to finance the project, on the one hand, and the August 2008 conflict between Georgia and Russia, on the other, have shown that Nabucco's future remains uncertain.

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[5] "Gazoducs: évincé du projet Nabucco, GDF se tourne vers South Stream [Gazoducs: outsted in the Nabucco project, GDF turns to South Stream]," *Les Échos*, February 7, 2008, ‹http://archives.lesechos.fr/archives/2008/lesechos.fr/02/07/300240346.htm› (April 5, 2010).

[6] "GDF Suez négocie avec Gazprom pour Nord Stream [GDF Suez is negotiating with Gazprom over South Stream]," *Le Figaro,* April 13, 2009.

[7] "Paris Considering Nabucco?" *UPI*, February 11, 2010, ‹http://www.upi.com/Science_News/Resource-Wars/2010/02/11/Paris-considering-Nabucco/UPI-60361265910000/› (February 11, 2010).

Officially, the European Commission has refused to accept setbacks. It has been insisting that Nabucco is a response to the need for an extra channel and is not designed to circumvent Russian supplies. This position was confirmed by one of the leading companies of the Nabucco project, the Austrian giant OMV. Even South Stream's Management Committee supports this view, stressing that "South Stream and Nabucco are neither competitors nor mutually exclusive pipeline projects".[8] Yet, there remains a lot of hesitation among private investors to finance the pipeline, leading to funding problems for the Nabucco project. The shortfall is large enough to make the future of the project doubtful. The ultimate decision of whether the pipeline is going to be built will be announced by late 2010, depending on market demand for gas through the Nabucco pipeline.[9] In this context, it is probable that private investors are at present reluctant to finance the project, not because of the instability of the relevant regions or the uncertain legal status of the Caspian Sea as presumed by Riley[10], but for a very practical reason: no pipeline can be financed without "throughput agreements" – which are agreements that oblige the shipper to pay debt service on the line regardless of how much it is used. The problem is that to date there is not enough gas supply to keep the pipeline filled and to make it economical to operate. In short, in addition to the lack of financing, the pipeline does not appear to have enough gas sources.

Nabucco Light Pipeline

The Nabucco Light project is supposed to involve the use of the existing South Caucasus Pipeline (SCP) and Turkish pipeline systems to deliver Central Asian gas to the EU.[11] By extending the pipelines' Turkish-Greek Interconnector to Italy and improving the transit capacity of the pipelines, it is expected that more Central Asian gas could be carried into Europe.[12] According to Riley, this project's probable advantages are that it would likely bring Central Asian gas to Europe more quickly; it would probably be cheaper to implement than building the Nabucco pipeline; and it could be developed to a greater degree in tandem with emergent gas supplies. The counterargument to these presumed merits is that it is still too early to evaluate whether Nabucco Light is truly the "cheaper

[8] "The 5 Questions About South Stream," South Stream press center, <http://south-stream.info/index.php?id=30&L=1> (February 16, 2010).
[9] "OMV Exec: Nabucco Project Will Be Decided By Demand In Open Season," *Wall Street Journal*, January 27, 2010, <http://online.wsj.com/article/BT-CO-20100127-708956.html?mod=WSJ_World_MIDDLEHeadlinesEurope> (February 1, 2010).
[10] "Re-thinking Europe's Gas Supplies After the Russia/Ukraine Crisis," *op. cit.*
[11] "City University London Professor Recommends 'Nabucco Lite' Pipeline to the European Parliament," *op. cit.*
[12] *Ibid.*

route option" posited by European academics and MEPs.[13] At present the project is still in the planning phase. The costs of transit through Turkey and Greece, along with corresponding contractual guarantees, would need to be negotiated first before a proper assessment could be made with regards to its viability.

Liquefied Natural Gas (LNG)

The Liquefied Natural Gas (LNG) option consists of the delivery of gas in liquid form, via ship, from a LNG liquefaction plant in Turkey to LNG re-gasification facilities in Europe.[14] This method would require the extension of the SCP gas pipeline to the port of Ceyhan on the Turkish coast.15 As Riley correctly notes, this solution would be costlier for Europe than Nabucco.[16] It is worth adding that the LNG option would be even costlier for the EU than South Stream on account of two underlying difficulties. First, there would inevitably be high fixed costs due to the provisioning of a large number of gas carriers and the development of the entire infrastructure of special landing terminals. Second, the system of long-term contracts and their constant renewal would need to be set up. In addition, LNG does not help landlocked middle Europe except as it replaces more distant pipeline movements to Northwest Europe. However, the LNG option also has its merits. Under certain circumstances, LNG may be even more financially viable than pipeline supply for coastal regions, such as the Mediterranean countries and the "Low" (or Benelux) countries.

In an optimum economic world, a combination of LNG and pipeline supply would be an ideal solution. In addition, European LNG imports are up substantially and Gazprom's deliveries are way down. In fact some of Gazprom's customers have gone into take-or-pay obligations. These are specific provisions inserted into a contract binding the buyer to pay for a precise quantity pre-specified in the provision, no matter whether the buyer actually takes the total delivery negotiated. These customers have preferred alternative supplies in a soft market and willing to make cash payments for gas not taken from Gazprom. The fact that Gazprom appears to be willing to ignore take-or-pay obligations in order to maintain the good will of its European customers implies that the "commercial" interpretation of Russia-Ukraine crisis is not totally unreasonable.

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[13] "Re-thinking Europe's Gas Supplies After the Russia/Ukraine Crisis," *op. cit.*

[14] "City University London Professor Recommends 'Nabucco Lite' Pipeline to the European Parliament," *op. cit.*

[15] *Ibid.*

[16] "Re-thinking Europe's Gas Supplies After the Russia/Ukraine Crisis," *op. cit.*

Assessing the Four Gas Import Options

An assessment of the four proposed alternatives leads to the following conclusions. Compared with that of Nabucco, the cost of South Stream is twice as high. In theory, in abandoning the South Stream project, the EU must first choose between providing financial support for Nabucco or for Nabucco Light. As for the LNG option, this solution would be costlier for the EU than either South Stream or Nabucco/Nabucco Light. The main point is that it is unclear what quantities of gas either Nabucco or Nabucco Light could in reality provide to the EU. For example, the existing BTE pipeline transporting Central Asian gas still sends very small quantities of gas to Europe. Thus, the EU is apparently facing the choice between South Stream, which could provide gas in sufficient quantities but mainly from Russia, and Nabucco or Nabucco Light, which would transport perhaps much less gas from Central Asia. On the other hand, one could presume that both Nabucco and Nabucco Light have been treated by the EU simply as bargaining tools for gas supply negotiations with Gazprom.

However, how can the EU negotiate effectively with a business partner as "tough" as Russia when, among different representatives who frequently try to speak on behalf of the united Europe, everyone is standing their ground regarding their own external policies? For example, Italy participates in South Stream while Germany strongly supports the inclusion of Russia in the Nabucco project, contrary to the European Commission's position. In order to succeed in energy negotiations, the EU member states - which presently retain a high degree of sovereignty over energy policy - must finally accept some mitigation of their sovereignty. Otherwise the individual weight of each EU member country will not withstand the gathering Russian energy weight. This observation is confirmed by recent progress on another Russian project that is quickly becoming reality, namely, the Nord Stream gas pipeline.

Nord Stream Pipeline

In this case, Gazprom's investments in this project are designed to demonstrate to the EU - at Gazprom's charge - that it is a reliable supplier, despite its troubles with Ukraine. Although the Nord Stream option was not considered by MEPs and academia in January 2009 because it is obviously not a coherent alternative for the EU as a whole, it deserves a brief overview. Nord Stream is a consortium of four major companies: Gazprom - with a 51 percent stake, BASF/Wintershall Holding AG, E.ON Ruhrgas AG and N.V. Nederlandse Gasunie. The pan-European character of the pipeline is highlighted by its status as a project under the EU's trans-European networks energy guidelines, the

status that was confirmed in 2006.[17] The Nord Stream gas pipeline which aims to bring Siberian gas directly to Germany bypassing all "problematic" Russian neighbours, was awarded its final building permit on February 12, 2010.[18] Once the first pipeline segments are dropped to the sea floor, the pipeline will run through Russian, Finnish, Swedish, Danish and German waters.[19] According to latest updates on the project's website, Nord Stream will transport up to 55 billion cubic meters of gas each year - this is enough to supply more than 26 million households. Total investment in the offshore pipeline alone is projected at €7.4 billion, which makes it one of the largest privately-financed offshore gas pipeline projects. The pipeline is supposed to run 1,223 kilometres through the Baltic Sea.

The Nord Stream clearly reflects Germany's support for Russia to bring Russian natural gas across the Baltic Sea directly to Germany. Even the current pro-Western Chancellor Angela Merkel stated: "the Nord Stream and the South Stream are necessary to satisfy Europe's demand for gas. It is essential that the projects are supported by all the EU countries".[20] The key littoral states of the Baltic Sea - namely, Finland, Sweden and Denmark, though sceptical about the Nord Stream pipeline - finally signed off on the project on November 5, 2009. Russia granted its permission on December 18, and Germany agreed to allow a section of the pipeline to cross its economic zone on December 28.[21] In fact, Germany, Denmark and Russia will benefit from transit fees, as the pipe runs through their territorial waters. Sweden and Finland will not, as the pipeline runs through their exclusive economic zones, where no transit duties can be imposed according to international law.[22]

According to Nord Stream's Managing Director Matthias Warnig, "This is the culmination of four years of intensive studies, consultations and dialogue with the authorities, experts, stakeholders and the public in Finland and other countries through the Baltic Sea region."[23] He added that, "I would like to thank the authorities and the many stakeholders whose contributions have helped us to find solutions to the many

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[17] "All Obstacles Cleared for Undersea Baltic Pipe," February 12, 2010, *EurActiv*, <http://www.euractiv.com/en/energy/all-obstacles-cleared-sub-sea-baltic-pipe>, (February 14, 2010).

[18] "Final Permit for Nord Stream Pipeline Paves Way for Construction Start in April," Nord Stream AG press release of February 12, 2010.

[19] "Russia, EU: Energy Security and the Continent," *Stratfor Today*, November 18, 2009.

[20] Quoted from a letter addressed to Jose Manuel Barroso, European Commission President

[21] "Final Permit for Nord Stream Pipeline Paves Way for Construction Start in April," *op. cit.*

[22] "All obstacles cleared for undersea Baltic pipe," *op. cit.*

[23] "Final Permit for Nord Stream Pipeline Paves Way for Construction Start in April," *op. cit.*

challenges posed by the Baltic Sea ecosystem. Their support has enabled us to develop this key European energy infrastructure project to world-class safety and environmental standards." He also said, "[o]ur project has been made possible by extensive cooperation between many European countries and it will make an important contribution to European energy security."[24] Had the same amount been transported in LNG tankers, 600 tankers a year would have been filled. Therefore, Finland and Sweden will benefit from the Nord Stream pipeline gas transportation system since it is much more secure than import via LNG tankers. Paradoxically, no special permission is needed for LNG tankers, despite the fact that the ecological risks posed by such transport are higher.[25]

Interestingly, the fact that some coercion was necessary to bring the three Scandinavian states to agree to the Nord Stream pipeline reinforces the above assertion that for the moment, there is unfortunately no European unity on energy security. A similar observation made of the Nord Stream project, in relation to the South Stream project is that Russia prefers to avoid gas transit routes through countries with "unfriendly" governments. The Nord Stream pipeline route notably bypasses Ukraine, Belarus, the Baltic States and Poland.

Additional Factors for Understanding Europe's Pipeline Options

The two pipelines generally considered as Europe's alternative options, namely Nabucco and South Stream, reveals the strategic struggle between the EU and Russia, with Turkey in the middle as another complicating factor. Turkey is also actively seeking to secure gas imports for its growing domestic demand. In August 2009, Turkey agreed to join the South Stream project, a month after its signature of an agreement on the Nabucco project.[26]

Next, the European gas demand prospects contain some common short and medium term ambiguities, such as environmental concerns in general and impact of tighter air quality regulations in particular, and such economic concerns as power-sector economics, price of coal, cost and public acceptability of nuclear, and cost and policies to support renewables.[27] In the context of the global financial crisis, general short and medium term issues such as energy supply and investment insecurity are expected to increase sharply after 2010. The cost of gas is likely to rise after 2010 since high cost greenfield projects are needed; regulatory changes and impact of competition on contracting practices and project

[24] *Ibid.*
[25] "All obstacles cleared for undersea Baltic pipe," *op. cit.*
[26] "Russia and Turkey agree on South Strem pipeline project," *Deutsche Welle*, August 6, 2009, <http://www.dw-world.de/dw/article/0,,4548193,00.html> (March 15, 2010).
[27] IEA, "Outlook for European Gas Demand, Supply and Investment to 2030," *op. cit.*

risk growth are expected; technology and cost developments are anticipated; and geopolitical developments in the Middle East region may affect exports from this area. Finally, the Transit Protocol to the Energy Charter Treaty and Energy Dialogues are likely to influence European energy supply and investment.[28] There are other short and medium term issues in relation to Europe's gas demands and investment strategy which needs to be addressed. First, there is sufficient gas supplies from non-Russian sources to meet the EU's growing supply shortfall, but what are the financial cost and geopolitical price to bring them into Europe? Second, massive energy investment is needed, but it is needed to be implemented in time.

Conclusion

So far, energy issues remain at the forefront of trade and economic relations between the EU and Russia, and the last "gas war" has been a shock to the EU-Russia energy partnership. However, these events also offered a fresh opportunity to explore practical ways to resolve energy supply crises together, thereby furthering cooperation. After all, the EU needs a reliable gas supplier and Russia needs reliable gas markets for export. As to the future of EU-Russia trade and economic integration, the "gas wars" have prompted at least one positive development: the EU now seeks a balanced energy dialogue with Russia and lobbies for the renewal of the Partnership and Cooperation Agreement (PCA) - this time with a larger scope so as to include energy relations. However, before a higher level of trust is reached between the two parties, the EU needs to hedge its bets. Hence, from the short and medium term perspectives, the EU may have to consider establishing a strategic gas reserve based on the U.S. strategic petroleum reserve (SPR) model, which would amortise a gas supply shortage and could even serve as a dissuasive tool against possible future cut-offs.

Concerning gas prices, the creation of new mechanisms for setting prices between the two partners might be an effective solution. This could reduce the financial bubble and increase market efficiency. The two partners may also go for long-term contracts between suppliers and customers. In this way, reconciliation between European consumers and Russian suppliers could possibly prevent the global economic crisis from turning into an energy crisis between them. Finally, the EU and the Russian Federation have to clearly determine the rules of the transit regime by substituting the draft Transit Protocol of the Energy Charter Treaty with a specific EU-Russia agreement or new multilateral energy regime. This is because delay in the Transit Protocol negotiations has hampered the entire Energy Charter process.

[28] *Ibid.*

It is expected that the current debate on energy security between the EU and Russia - which has to-date yielded much drama but little success - will remain extremely dynamic and could perhaps help to amplify the debate on global energy governance. This could provide an additional basis for further discussions regarding the future bilateral framework in the field of energy, to be discussed under the new EU-Russia PCA or a specific multilateral energy agreement.

Submission Guidelines and Process of Selection

Many of the articles are solicited, but authors are encouraged to send their work directly to the Editor who will suggest changes and determine the relevance of the articles for each issue. Articles can also be sent to any of our senior advisors, but the Editor has full responsibility on accepting or refusing individual articles. Shorter articles will be responded to within a week, whereas the response to longer analytical pieces could take up to three weeks. Some articles will be dealt with by the editors immediately; most articles are also read by outside referees. Copyright of articles remains with *Central Asia-Caucasus Institute and Silk Road Studies Program*, unless another agreement has been reached.

Manuscript. Each submitted article should be sent to the Editor by e-mail attaching the word document. All correspondence will be conducted through e-mail during the process. The Editor reserves the right to edit the article to conform to the editorial policy and specifications of the CEF Quarterly and to reject the article should it not be acceptable to our editorial committee for publication.

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Commentaries: Commentaries require a three to four sentence introduction to the article based on a news hook. Rather than a general, overarching analysis, the article must offer considered and careful "judgment" on the issue supported with concrete examples. Recommended length is 2000 words.

References. All authors should adhere to the Chicago reference system in their articles. These should appear in the form of footnotes. References to books and articles should be contained in the notes and not in a separate reference list. Provide translations of non-English language titles.

Articles from Journals: Phil Williams, "Transnational Criminal Organizations and International Security," *Survival* 36, 1 (1994): 96.

Books: Patrick L. Clawson and Rensselaer W. Lee III, *The Andean Cocaine Industry* (New York: St. Martin's Press, 1998)

Newspapers, News-agencies & Magazines: Toby Harnden, "Drug Trade 'Reaches to Afghan Cabinet,'" *Daily Telegraph*, February 5 2006.

Electronic Sources: George Bush, "Principles of Ethical Conduct for Government Officers and Employees," Executive Order 12674, April 12 1989, pt. 1, <www.usoge.gov/exorders/eo12674.html> (October 30 1997).

Subsequent references: a reference to a single source in the previous note should be replaced by '*Ibid.*'; in later notes by author's surname, title and page number.

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